Polenergia Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2014

WITH THE AUDITOR'S OPINION

Zbigniew Prokopowicz – President of the Management Board

Jacek Głowacki – Vice-President of the Management Board

Michał Kozłowski – Vice-President of the Management Board

Anna Kwarcińska – Vice-President of the Management Board

Agnieszka Grzeszczak – Head of Accounting Department

Warsaw, March 11th 2015

Disclaimer

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Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

1. Consolidated statement of financial position

as at December 31st 2014

ASSETS

	Notes	Dec 31 2014	Dec 31 2013
I. Non-current assets		**1,968,359**	**559,146**
1. Property, plant and equipment	15	1,706,722	552,988
2. Intangible assets	13	57,383	1,438
3. Goodwill related to subordinated entities	14	184,662	899
4. Financial assets	17	7,413	368
5. Equity-accounted financial assets		1,456	-
6. Non-current receivables	16	4,269	3,453
7. Deferred tax asset	24	6,353	-
8. Prepayments and accrued income		101	-
II. Current assets		**763,935**	**390,098**
1. Inventories	18	41,113	119,884
2. Trade receivables	19	109,042	23,526
3. Current tax asset	19	1,927	349
4. Other current receivables	19	69,251	30,581
5. Prepayments and accrued income	20	8,563	7,363
6. Current financial assets	21	117,230	253
7. Cash and cash equivalents	22	416,809	208,142
Total assets		**2,732,294**	**949,244**

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

EQUITY AND LIABILITIES

	Notes	Dec 31 2014	Dec 31 2013
I. Equity		**1,333,984**	**515,261**
1. Share capital	23	90,887	42,628
2. Share premium		802,909	78,521
3. Capital reserve from valuation of options		13,207	13,207
4. Other capital reserves	23	372,427	370,469
5. Retained earnings		22,188	3,440
6. Net profit		31,345	5,958
7. Non-controlling interests	23	948	1,038
8. Translation differences		73	-
II. Non-current liabilities		**864,884**	**355,824**
1. Bank and other borrowings	26	695,168	275,511
2. Deferred tax liability	24	57,150	7,585
3. Provisions	25	2,045	644
4. Accruals and deferred income	29	67,439	71,717
5. Other liabilities		43,082	367
III. Current liabilities		**533,426**	**78,159**
1. Bank and other borrowings	28	91,993	46,742
2. Trade payables	27	128,487	14,801
3. Income tax payable	27	1,064	3
4. Other liabilities	27	285,357	5,871
5. Provisions	25	3,070	1,491
6. Accruals and deferred income	29	23,455	9,251
Total equity and liabilities		**2,732,294**	**949,244**

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

2. Consolidated statement of profit or loss

for the year ended December 31st 2014

	Notes	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
Revenue	31	865,133	100,727	614,019	28,998
Revenue from certificates of origin	31	69,380	38,747	30,958	12,170
Revenue		**934,513**	**139,474**	**644,977**	**41,168**
Cost of sales	32	(856,707)	(108,612)	(601,026)	(28,124)
Gross profit		**77,806**	**30,862**	**43,951**	**13,044**
Other income	33	5,872	4,891	1,622	1,133
Distribution costs	32	(362)	-	(295)	-
Administrative expenses	32	(19,500)	(12,029)	(8,699)	(3,123)
Other expenses	34	(8,392)	(7,928)	(6,419)	(5,610)
Finance income	35	7,612	15,401	3,807	1,692
Finance costs	36	(29,509)	(25,721)	(11,727)	(5,070)
Profit before tax		**33,527**	**5,476**	**22,240**	**2,066**
Income tax expense	24	(2,272)	438	(6,026)	(425)
Net profit		**31,255**	**5,914**	**16,214**	**1,641**

Net profit attributable to:	**31,255**	**5,914**	**16,214**	**1,641**
Owners of the parent	31,345	5,958	16,226	1,657
Non-controlling interests	(90)	(44)	(12)	(16)
Earnings per share:				
– basic/diluted earnings for period attributable to owners of the parent	1.07	0.28	0.55	0.08

ADJUSTED EBITDA

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
Operating profit	55,424	15,796	30,160	5,444
Depreciation and amortisation	50,036	29,125	23,727	7,172
EBITDA	**105,460**	**44,921**	**53,887**	**12,616**
Purchase price allocation:				
Intra-group long-term contracts	(6,800)	-	-	
Valuation of long-term contracts	804	-	603	-
Adjusted EBITDA	**99,464**	**44,921**	**54,490**	**12,616**

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

ADJUSTED NET PROFIT

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
NET PROFIT attributable to owners of the parent	**31,345**	**5,958**	**16,226**	**1,657**
Unrealised foreign exchange gains/losses	1,121	1,023	778	(694)
Tax on foreign exchange gains	(213)	(194)	(148)	132
Finance income from discount on sale of wind farm projects	(641)	(2,102)	(165)	(153)
Tax on discount on sale of wind farm projects	122	399	32	29
(Income)/expense from valuation of non-current bank borrowings	2,508	(4,776)	1,223	247
Tax on (income)/expense from valuation of non-current bank borrowings	(477)	907	(233)	(47)
Purchase price allocation:			-	-
Depreciation and amortisation	3,374	-	2,530	-
Intra-group long-term contracts	(6,800)	-	-	
Valuation of long-term contracts	804	-	603	-
Tax	(794)	-	(595)	-
Adjusted NET PROFIT attributable to owners of the parent	**30,349**	**1,215**	**20,251**	**1,171**

3. Consolidated statement of other comprehensive income

for the year ended December 31st 2014

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
Net profit for period	**31,255**	**5,914**	**16,214**	**1,641**
Other comprehensive income that may be reclassified to profit or loss once specific conditions are met				
- Cash-flow hedges	1,958	(2,235)	1,972	-
Net other comprehensive income	**1,958**	**(2,235)**	**1,972**	**-**
COMPREHENSIVE INCOME FOR PERIOD	**33,213**	**3,679**	**18,186**	**1,641**
Total comprehensive income for period:	33,213	3,679	18,186	1,641
Owners of the parent	33,303	3,723	18,198	1,657
Non-controlling interests	(90)	(44)	(12)	(16)

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

4. Consolidated statement of changes in equity

for the year ended December 31st 2014

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Translation differences	Total equity
As at Jan 1 2014	**42,628**	**78,521**	**13,207**	**370,469**	**9,398**	**-**	**1,038**	**-**	**515,261**
Total comprehensive income for period									31,255
- Net profit for reporting period	-	-	-	-	-	31,345	(90)	-	
- Other comprehensive income for period	-	-	-	1,958	-	-	-	-	1,958
- Allocation of profit	-	(12,790)	-	-	12,790	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	-	-	-	-	73	73
Transactions with owners of the parent recognised directly in equity									785,437
- Share issue	48,259	737,178	-	-	-	-	-	-	
As at Dec 31 2014	90,887	**802,909**	**13,207**	**372,427**	**22,188**	**31,345**	**948**	**73**	**1,333,984**

PLN 1,958 thousand of other comprehensive income is related to the valuation of cash-flow hedges, discussed in detail in Note 41.

Notes to the consolidated financial statements on pages 13 to 92 form an integral part of the financial statements.

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

for the year ended December 31st 2013

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Total equity
As at Jan 1 2013	**42,628**	**78,521**	**13,207**	**238,443**	**137,701**	**-**	**1,130**	**511,630**
Total comprehensive income for period								
- Net profit for reporting period	-	-	-	-	-	5,958	(44)	5,914
- Other comprehensive income for period	-	-	-	(2,235)	-	-	-	(2,235)
- Allocation of profit	-	-	-	134,261	(134,261)	-	(48)	(48)
As at Dec 31 2013	**42,628**	**78,521**	**13,207**	**370,469**	**3,440**	**5,958**	**1,038**	**515,261**

PLN 2,235 thousand of other comprehensive income is related to the valuation of cash-flow hedges, discussed in detail in Note 41.

Notes to the consolidated financial statements on pages 13 to 92 form an integral part of the financial statements.

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

5. Consolidated statement of cash flows

for the year ended December 31st 2014

	Notes	For period ended Dec 31 2014	For period ended Dec 31 2013
A. Cash flows from operating activities		**33,527**	**5,476**
I. Profit before tax			
II. Total adjustments		**45,978**	**85,232**
1. Depreciation and amortisation	32	50,036	29,125
2. Foreign exchange losses		540	1,195
3. Interest and profit distributions (dividends)		21,566	19,114
4. Gain (loss) on investing activities		1,578	3,026
5. Income tax	24	(3,292)	7,906
6. Change in provisions		1,971	294
7. Change in inventories	38	(3,521)	6,011
8. Change in receivables	38	(7,596)	72,248
9. Change in current liabilities (net of borrowings)	38	(6,103)	(46,458)
10. Change in accruals and deferrals	38	(9,838)	(11,139)
11. Other adjustments	38	637	3,910
III. Net cash from operating activities (I+/-II)		**79,505**	**90,708**
B. Cash flows from investing activities			
I. Cash receipts		**107,198**	**5,402**
1. Disposal of intangible assets and property, plant and equipment		107	-
2. Proceeds from financial assets, including:		-	607
a) dividend and other profit distributions		-	8
b) repayment of non-current loans advanced		-	548
c) interest		-	51
3. Cash from acquisition of a subsidiary		105,246	-
4. Other cash receipts related to investing activities		1,845	4,795
II. Cash payments		**444,906**	**105,599**
1. Acquisition of intangible assets and property, plant and equipment	38	442,521	100,164
2. Payments for financial assets, including:		535	634
a) acquisition of financial assets		452	486
b) non-current loans advanced		83	148
3. Other payments related to investing activities		1,850	4,801
III. Net cash from investing activities (I-II)		**(337,708)**	**(100,197)**
C. Cash flows from financing activities			
I. Cash receipts		**548,706**	**20,678**
1. Net proceeds from issue of shares, other equity instruments and additional contributions to eq		240,000	-
2. Proceeds from borrowings		308,706	16,285
3. Grants received		-	4,393
II. Cash payments		**81,695**	**66,314**
1. Dividends and other distributions to owners		-	163
2. Repayment of borrowings		56,968	43,341
3. Payment of finance lease liabilities		731	384
4. Interest		23,115	22,426
5. Other cash payments related to financing activities		881	-
III. Net cash from financing activities (I-II)		**467,011**	**(45,636)**
D. Total net cash flows (A.III+/-B.III+/-C.III)		**208,808**	**(55,125)**
E. Net increase/decrease in cash, including:		**208,667**	**(55,097)**
- effect of exchange rate fluctuations on cash held		(141)	28
F. Cash at beginning of period		**208,142**	**263,239**
G. Cash at end of period, including:		**416,809**	**208,142**
- restricted cash	38	92,989	15,938

Notes to the consolidated financial statements on pages 13 to 92
form an integral part of the financial statements.

Consolidated financial statements for the year ended December 31st 2014 (PLN ‘000)

External financing sources - bank borrowings (statement of cash flows)	For period ended Dec 31 2014	For period ended Dec 31 2013
item C.I.2 Proceeds from borrowings	308,706	16,285
item C.II.2 Repayment of borrowings	(56,968)	(43,341)
Change in external financing sources, including:	**251,738**	**(27,056)**
net increase in investment facilities	252,840	(25,735)
net increase/decrease in VAT financing facility	6,881	5,075
net increase/decrease in overdraft facility	(7,983)	(6,396)

6. General information

The Polenergia Group (the “Group”) comprises Polenergia S.A., formerly Polish Energy Partners S.A. − with the company name change registered with the National Court Register on September 11th 2014 (the “Company”, the “Parent”) and its subsidiaries. The Company was established under a notary deed of July 17th 1997. The Company is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under KRS No. 0000026545.The Company’s Industry Identification Number (REGON) is 012693488. The Company’s registered office, entered in the register on November 20th 2013, is at ul. Krucza 24/26 in Warsaw.

According to the entry in the National Court Register, the Company’s business comprises:

- production and distribution of electricity (PKD 40.10),
- production and distribution of heat (steam and hot water) (PKD 40.30),
- construction and civil engineering (PKD 45.21),
- construction installation activities (PKD 45.3),
- other credit granting, excluding licensed activities and activities reserved for banks (PKD 65.22),
- research and development of natural sciences and engineering (PKD 73.10),
- development and sale of own real estate (PKD 70.11),
- operating of real estate on a fee or contract basis (PKD 70.32),
- accounting and bookkeeping activities (PKD 74.12),
- construction and process design, urban planning (PKD 74.20),
- business and management consultancy activities (PKD 74.14),
- other commercial activities n.e.c. (PKD 74.84),
- other education n.e.c. (PKD 80.42),
- wholesale of solid, liquid and gaseous fuels and related products (PKD 51.51).

The scope of activities of the subsidiaries is related to the operations of the Parent.

6.1. Duration of the Company and other Group companies

The Company and all Group companies have been established for an indefinite period.

6.2. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended December 31st 2014 and contain comparative data for the year ended December 31st 2013.

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

Composition of the Parent's Management and Supervisory Boards

As at December 31st 2014, the composition of the Parent's Management Board was as follows:

Zbigniew Prokopowicz	President of the Management Board
Jacek Głowacki	Vice-President of the Management Board
Anna Kwarcińska	Vice-President of the Management Board
Michał Kozłowski	Vice-President of the Management Board

As at December 31st 2014, the composition of the Parent's Supervisory Board was as follows:

Tomasz Mikołajczak	Chairman of the Supervisory Board
Łukasz Rędziniak	Deputy Chairman of the Supervisory Board
Marek Gabryjelski	Member of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Rafał Andrzejewski	Member of the Supervisory Board

7. Going concern

These condensed financial statements have been prepared on the assumption that the Company and the Group will continue as going concerns in the foreseeable future, that is for at least 12 months after the end of the reporting period, i.e. December 31st 2014.

8. The Group's organisational structure

On August 27th 2014, the Company and Capedia Holdings Limited of Nicosia, Cyprus (the "Investor") finalised ("Closing") the transaction provided for in their investment agreement of July 18th 2014 (the "Agreement").

As part of the Closing:

1) the Investor subscribed for 7,266,122 new shares in the Company at an issue price of PLN 33.03 per share, for a total of PLN 240,000,009.66 paid in cash;

2) Elektron Sp. z o.o. of Warsaw subscribed for 16,863,458 new shares in the Company at an issue price of PLN 33.03 per share, in exchange for a non-cash contribution in the form of 100% of shares in Neutron Sp. z o.o. of Warsaw (a subsidiary of Polenergia Holding S.a.r.l. of Luxembourg, which is controlled by Kulczyk Investments S.A.) with a total value of PLN 557,000,017.74 ("Contribution").

The Contribution made in exchange for the shares ("Contribution") comprised 100% of shares in Neutron Sp. z o.o., a holding company with the following shareholdings in the following companies:

- 100% of shares in Elektrociepłownia Nowa Sarzyna Sp. z o.o. – operator of the Nowa Sarzyna gas-fired CHP plant with a capacity of 116 MWeand70 MWt;
- 100% of shares in Polenergia Kogeneracja Sp. z o.o. – a company whose business consists in natural gas distribution and trading; in the past it was engaged in cogeneration activities;
- 100% of shares in Elektrownia Północ Sp. z o.o. – a company responsible for the construction of a base-load coal-fired power plant with a capacity of approximately 1,600 (2*800) MWe;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o. – a company whose business consists in distribution and sale of electricity;

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

- 100% of shares in Polenergia Obrót S.A. – a company whose business consists in trading in electricity, gas and certificates;
- 100% of shares in Natural Power Association Sp. z o.o., a sole shareholder of: Polenergia Bałtyk I S.A. (formerly Bałtyk Północny S.A.), Polenergia Bałtyk II Sp. z o.o. (formerly Bałtyk Środkowy II Sp. z o.o.), Polenergia Bałtyk III Sp. z o.o. (formerly Bałtyk Środkowy III Sp. z o.o.) – companies responsible for the construction of offshore wind farms with a total capacity of up to 1,200 MWe, including 600 MWe by 2022, (the "Green Group");
- 100% of shares in PPG Pipeline Projektgesselschaft mbH;
- 100% of shares in PPG Polska Sp. z o.o. – a company responsible for the construction of a pipeline connecting gas systems of Poland and Germany;
- 20% of shares in GEO Kletnia Sp. z o.o. – a company responsible for the construction of a wind farm with a capacity of approximately 40 MW.

Contribution of the above assets to the Company was a common-control transaction under IFRS 3. The transaction was accounted for by allocating the purchase price to the fair value of net assets acquired, with the resulting difference classified as goodwill.

Purchase price allocation

The Company as the Parent, and its subsidiaries, including the wholly-owned Neutron Group, conduct operations relating to the energy industry. The contribution of the Neutron Group to the Company and the financial involvement of the Key Investor mark another step in the implementation of the Company's long-term strategy to create an integrated power group operating in all segments of the energy market, with a particular exposure to generation of energy from renewable sources and the regulated electricity and gas infrastructure.

Control of Neutron Group was acquired on August 27th 2014.

As at the date of acquisition of control:

- assets and liabilities were measured at fair value;
- long-term contracts between Polenergia Obrót Sp. z o.o. and Dipol Sp. z o.o., Grupa PEP Farma Wiatrowa 1 Sp. z o.o. (Gawłowice), Grupa PEP Farma Wiatrowa 4 Sp. z o.o. (Skurpie), and Grupa PEP Farma Wiatrowa 6 Sp. z o.o. (Rajgród) were recognised in the consolidated financial statements as a gain. As the contracts existed at the level of higher-tier Group, according to IFRS they represented a relation between the parties to the business combination which was not a component of the business combination, and therefore had to be disclosed separately. In line with IFRS, if the acquisition of control leads to effective settlement of accounts between the merging entities, the acquirer discloses the gain or loss on the settlement in the consolidated financial statements;
- goodwill disclosed in the consolidated statement of financial position under 'Goodwill related to subordinated entities' was initially determined by comparing the allocated purchase price with the fair value of net assets. The goodwill amount is not final, as valuations are still being verified.

Purchase price	**557,000**	[1]
Net assets prior to fair value measurement	**284,791**	[2]
Goodwill prior to purchase price allocation	**272,209**	[3] = [1-2]
Purchase price allocation reducing the carrying amount of goodwill, including:	**(88,432)**	

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Change in the fair value of assets and liabilities		**Item**	**95,232** [4]
Property, plant and equipment	Remeasurement of the carrying amount of property, plant and equipment at fair value	Property, plant and equipment	83,896
CO_2 emission allowances	Free allocation of CO_2 emission allowances	Intangible assets	3,500
Compensation assets	Compensation received by the Nowa Sarzyna CHP plant for the cost of gas and stranded costs related to the nature of its operations	Intangible assets	50,000
Relations with customers	Assets arising from periodic electricity sale contracts executed by Polenergia Dystrybucja	Intangible assets	4,500
Long-term contracts	Assets arising from periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Financial assets	6,840
Inventories	Remeasurement of the carrying amount of inventories at fair value	Inventories	(266)
Long-term contracts	Liabilities under periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Other non-current liabilities	(30,900)
Deferred tax	Deferred tax on the assets and liabilities listed above	Tax	(22,338)

Fair value allocated to profit or loss *)	**Statement of profit or loss**	
Intra-group long-term contracts	Revenue from certificates of origin	**6,800** [5]
Total purchase price allocation		**88,432** [6] = [4-5]
Initial goodwill disclosed in the statement of financial position		**183,777** [7] = [3-6]

*) Refers to the recognition of long-term contracts described above.

The table below presents the value of acquired assets and liabilities following remeasurement to fair value:

Purchase price	**557,000**
Assets, including:	**1,080,847**
Property, plant and equipment	639,706
Intangible assets	58,981
Financial assets	83,952
Inventories	13,060
Other assets	179,902
Cash and cash equivalents	105,246
Liabilities, including:	**700,824**
Bank and other borrowings	213,856
Deferred tax liability	50,412
Other liabilities	436,556
Fair value allocated to profit or loss	**6,800**
Fair value of net assets acquired:	**373,223**

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Goodwill arising on consolidation	**183,777**

The goodwill recognised by the Group follows from its assumption that the discounted cash flows from operations of the acquired companies are higher than the value of the net assets acquired.

As at December 31st 2014, the Group tested goodwill for impairment.

The Neutron Group's consolidated statement of profit or loss for four months ended December 31st 2014, i.e. from the date of acquisition of control

The Newton Group data presented below cover the period of four months, i.e. from the Transaction Date (for more details on the Transaction, see below.) The revenues and costs presented below were disclosed in the Group's consolidated statement of profit or loss for the period December 31st 2014.

	For period from acquisition of control to Dec 31 2014
Revenue	761,457
Revenue from certificates of origin	16,679
Revenue	**778,136**
Cost of sales	(743,938)
Gross profit	**34,198**
Other income	136
Distribution costs	(362)
Administrative expenses	(8,047)
Other expenses	(3,795)
Finance income	997
Finance costs	(5,405)
Profit before tax	**17,722**
Income tax expense	(4,144)
Net profit	**13,578**

If the Transaction had been completed on January 1st 2014, the Polenergia Group's revenue for the 12 months ended December 31st 2014 would have totalled PLN 2,659,038 thousand, with net profit of PLN 49,569 thousand.

9. Authorisation of the financial statements

These consolidated financial statements were authorised for issue by the Parent's Management Board on March 11th 2015.

10. Applied accounting policies

The accounting policies applied in preparing these financial statements are consistent with the policies applied in preparing the Company's full-year financial statements for the year ended December 31st 2013.

10.1 New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- **IFRIC 21 Levies, effective for periods beginning on or after June 17th 2014 (effective date set by IASB: January 1st 2014)**

  IFRIC 21 provides guidance on the identification of obligating events giving rise to an obligation to pay a levy, and the time when the obligation is to be recognised.

  In accordance with IFRIC 21, an obligating event is an event which under relevant legislation triggers the payment of a specific levy and the necessity to recognise the related liability in the financial statements.

  The liability is recognised progressively if the obligating event occurs over a period of time.

  If the obligating event consists in reaching a certain minimum threshold, the liability is recognised when that minimum threshold is reached.

  The Interpretation clarifies that ‘economic compulsion’ to continue as a going concern in a future period does not create a constructive obligation to pay a levy that would be triggered by operating in that future period.

  It is expected that at the time of initial application, the new Interpretation will have no material effect on the Group’s consolidated financial statements, as it will not affect the Group’s accounting policy with respect to levies.

- **Amendment to IAS 19: Employee Benefits − Defined Benefit Plans: Employee Contributions, effective for periods beginning on or after February 1st 2015 (effective date set by IASB: July 1st 2014)**

  The amendments refer to the accounting for contributions from employees and third parties to defined benefit plans. The objective is to provide a more straightforward alternative to account for employee contributions that do not depend on the years of service, for example employee contributions calculated as a fixed percentage of salary.

  It is expected that at the time of the initial application, the changes will have no material effect on the Group’s consolidated financial statements.

- **Annual Improvements to IFRSs 2010−2012, effective for periods beginning on or after February 1st 2015 (effective date set by IASB: July 1st 2014)**

  Annual Improvements to IFRSs 2010−2012 Cycle comprises a collection of eight amendments to seven standards, along with relevant changes to other standards and interpretations. Key changes:

  - The definition of vesting conditions in Appendix A to IFRS 2 Share-Based Payment was clarified by separately defining service conditions and performance conditions.

  - Certain aspects of accounting for contingent consideration in a business combination were clarified.

  - Paragraph 22 of IFRS 8 Operating Segments was amended to require entities to disclose those factors that are used to identify the entity’s reportable segments when operating segments have been aggregated; the change is intended to supplement the existing disclosure requirements in paragraph 22(a) of IFRS 8.

  - Paragraph 28(c) of IFRS 8 Operating Segments was amended to clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should be disclosed if that amount is regularly provided to the chief operating decision maker. The amendment is consistent with the requirements in paragraphs 23 and 28(d) of IFRS 8.

  - The IASB’s rationale for removing paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph OS79 of IAS 39 Financial Instruments: Recognition and Measurement was provided − the changes result from IFRS 13 Fair Value Measurement.

- The requirements for the revaluation method in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were clarified to address concerns about the calculation of the accumulated depreciation or amortisation as at the revaluation date.
- An entity providing key management personnel services was made a related party of the reporting entity.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- **Annual Improvements to IFRSs 2011−2013, effective for periods beginning on or after January 1st 2015 (effective date set by IASB: July 1st 2014)**

Annual Improvements to IFRSs 2011−2013 Cycle comprises a collection of four amendments to standards, along with relevant changes to other standards and interpretations. Key changes:

- The meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of IFRS 1 First-time Adoption of IFRSs was clarified.
- A clarification was provided that the exception in paragraph 2(a) of IFRS 3 Business Combinations:
  - excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
  - only applies to the financial statements of the joint venture or joint operation.
- A clarification was provided that the portfolio exception under paragraph 48 of IFRS 13 applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement, or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- A clarification was provided that judgement is needed to determine whether the acquisition of an investment property is the acquisition of an asset, a group of assets or a business combination within the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

10.2 New standards and interpretations not yet endorsed by the EU

- **IFRS 9 Financial Instruments, effective for periods beginning on or after January 1st 2018**

The new Standard replaces the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement regarding classification and measurement of financial assets, including their impairment. IFRS 9 also eliminates the existing IAS 39 categories of financial assets held to maturity, available for sale and loans and receivables.

In accordance with the new standard, financial assets should be classified at initial recognition into one of three categories:

- financial assets measured at amortised cost;
- financial assets at fair value through profit or loss; or
- financial assets at fair value through other comprehensive income.

After initial recognition a financial asset is measured at amortised cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

If the above requirements are not met (as, for instance, in the case of equity instruments of other entities), the financial asset is measured at fair value.

Gains and losses on remeasurement of financial assets at fair value are recognised in profit or loss, except for assets held within a business model whose objective is to hold assets in order to collect contractual cash flows or sell them, in which case the gains and losses on remeasurement are disclosed in other comprehensive income.

Furthermore, if an investment in an equity instrument is not held for trading, IFRS 9 allows the entity to make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income. The election can be made on an instrument-by-instrument basis. No amount recognised in other comprehensive income in connection with such measurement may be reclassified to profit or loss of the current period at a later date.

The standard retains almost all of the existing requirements of IAS 39 on the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. However, IFRS 9 requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as measured at fair value through profit or loss be presented in other comprehensive income, with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss or if the financial liability relates to a loan commitment or a financial guarantee contract, then the whole fair value change is presented in profit or loss.

As regards measurement of impairment of financial assets, IFRS 9 replaces the old "incurred loss" model introduced by IAS 39 with the concept of "expected loss", which means that the event resulting in a loss does not have to precede its identification and recognition of impairment. The new rules are designed to prevent situations in which impairment on credit losses is recognised too late or its amount is insufficient.

In short, the expected loss model provides for two measurement approaches, whereby the amount of loss can be determined in reference to:

- 12-month expected credit losses; or
- lifetime expected loss.

The choice of the approach depends on whether the credit risk associated with an asset has increased significantly since its initial recognition. If the credit risk related to financial assets has not increased significantly since initial recognition, the impairment loss on those financial assets is measured at an amount equal to the 12-month expected credit losses. However, if the credit risk has increased materially, the impairment loss is equal to the lifetime expected loss and thus increases the amount of recognised impairment loss. The standard further introduces a rebuttable presumption that a delay in contractual payments exceeding 30 days is sufficient grounds for the recognition of credit loss.

The Group expects that the new standard will have no material effect on its consolidated financial statements. Due to the nature of the Group's business and the type of its financial assets, the classification and measurement of the Group's financial assets are not expected to change under IFRS 9.

- **IFRS 14 Regulatory Deferral Accounts, effective for annual periods beginning on or after January 1st 2016**

IFRS 14 is an interim standard which:

- permits an entity which is a first-time adopter of IFRS to continue to account for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements;
- requires that regulatory deferral account balances, and movements in them be presented separately in the financial statements; and
- requires specific disclosures to identify clearly the nature of, and risks associated with, the rate

regulation giving rise to the recognition of regulatory assets and liabilities under the interim standard.

The Group expects that the interim standard will have no material effect on its consolidated financial statements, as it is applicable only to first-time IFRS adopters.

- **Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements), effective for annual periods beginning on or after January 1st 2016**

  The amendments to IFRS 11 contain guidance on the accounting for the acquisition of an interest in joint operations that constitutes a business.

  Entities acquiring an interest in joint operations that constitutes a business, as defined in IFRS 3 Business Combinations, are obliged to apply the relevant principles for recognising business combinations defined in IFRS 3 and other IFRSs, except for those contradictory to IFRS 11. Further, the acquirer is subject to disclosure requirements defined in IFRS 3 and other IFRSs concerning business combinations.

  The Group expects that the amendments will have no material effect on its consolidated financial statements, because the Group is not party to any joint arrangements.

- **Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets), effective for periods beginning on or after January 1st 2016**

  The amendments clarify that revenue-based depreciation of property, plant and equipment is not appropriate because the revenue generated by an activity that includes the use of a given asset generally reflect factors other than the consumption of economic benefits embodied in the asset.

  The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, this presumption can be overcome in certain limited circumstances.

  The Group expects that the amendments will have no material effect on its consolidated financial statements, as it does not apply revenue-based depreciation and amortisation.

- **IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on or after January 1st 2017**

  The standard contains rules which will replace most of the specific guidance on revenue recognition found in existing IFRSs. In particular, following the adoption of the new standard, the provisions of IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations will no longer apply.

  According to the new standard, entities will use a five-step model to determine the moment of revenue recognition and its amount. Under the model, revenue should be recognised when (or to the extent that) the entity transfers control of goods or services to a customer, at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either:

  - over time, reflecting the contract performance by the entity, or
  - only once, at the point in time when control of goods or services is transferred to the customer.

  The standard contains new requirements for disclosures, both quantitative and qualitative, designed to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  The Group expects that the standard will have no material effect on its consolidated financial statements.

- **Agriculture: Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and**

IAS 41 Agriculture), effective for periods beginning on or after January 1st 2016

The amendments modify the method of accounting for bearer plants, such as grapevines, rubber trees and oil palms. Under IAS 41 Agriculture, all biological assets related to agricultural activity are to be measured at fair value less costs to sell. Pursuant to the new requirements, bearer plants are to be accounted for in the same manner as property, plant and equipment under IAS 16, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Given that the Group's operations do not involve bearer plants, the Group expects that the amendments will have no material effect on its consolidated financial statements.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates), effective for periods beginning on or after January 1st 2016**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 regarding the loss of control over a subsidiary contributed to an associate or joint venture. While IAS 28 limits the gain or loss resulting from the contribution of non-monetary assets to an associate or joint venture to the level of unrelated investors' interests in the associate or joint venture, IFRS 10 requires full recognition of the gain or loss from the loss of control over a subsidiary.

The amendments require that the gain or loss be recognised in full where the contributed assets satisfy the definition of a business within the meaning of IFRS 3 Business Combinations (irrespective of whether such business has the form of a subsidiary or not). Partial recognition of the gain or loss (to the extent of unrelated investors' interests) applies where a transaction involves assets which do not constitute a business, even if the assets were held by a subsidiary.

The Group expects that the amendments will have no material effect on its consolidated financial statements, as the Group does not expect to conclude transactions covered by the amendments.

- **Annual Improvements to IFRSs 2012−2014, effective for periods beginning on or after July 1st 2016**

Annual Improvements to IFRSs 2012−2014 Cycle comprises a collection of four amendments to standards, along with relevant changes to other standards and interpretations. Key changes:

- A clarification was provided that paragraphs 27-29 of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (describing how to recognise assets that cease to be classified as held for sale) will also apply to situations where assets cease to be classified as held for distribution. However, the provisions will not apply if the change in classification consists in transferring an asset (or disposal group) directly from assets held for sale to assets held for distribution or vice versa. In this case, the change does not constitute a change to a plan of sale or plan of distribution;

- A clarification was provided on how an entity should apply the guidance in paragraph 42C of IFRS 7 Financial Instruments: Disclosures − Servicing Contracts in order to ascertain continuing involvement in an asset for the purposes of applying the disclosure requirements in paragraphs 42E–42H of IFRS 7;

- A clarification was provided that the additional disclosures required by the amendments to IFRS 7 related to the offsetting of financial assets and liabilities are not specifically required in condensed interim financial statements for all interim periods. However, such additional disclosures should be included if so required under IAS 34 Interim Financial Reporting;

- IAS 19 Employee Benefits was amended by clarifying that high-quality corporate bonds or government bonds used to determine the discount rate of post-employment benefit obligations should be consistent with the currency of such post-employment benefit obligations. Whether there exists a deep market in such bonds should be determined at a currency level rather than a country level.

- Regarding disclosure of information elsewhere in the interim financial report referred to in IAS 34 – a clarification of the meaning of 'elsewhere in the interim financial report' was provided, and a requirement was added to include a cross-reference from the interim financial statements to the location of the required information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- **Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures), effective for periods beginning on or after January 1st 2016**

Changes to the method of financial reporting in investment entities address three issues:

- Consolidation of intermediate investment entities

Prior to the amendment, it was unclear how to account for an investment entity's subsidiary that provides investment-related services and is itself classified as an investment entity. As a result of the amendment, intermediate investment entities may not be consolidated.

The IASB has also clarified that entities providing 'investment-related services' are entities whose main purpose and activities are to provide services that relate to the activities of the parent which is an investment entity.

- Consolidated financial statements exemption for intermediate parents owned by investment entities

Intermediate holding entities have a long-standing exemption from preparing consolidated financial statements when they are themselves consolidated by a higher parent (and when other relevant criteria are met).

The amendments also make this exemption available to an intermediate parent held by an investment entity, even though the investment entity does not consolidate the intermediate parent.

- Policy choice for equity accounting for interests in investment entities

Pursuant to the amendments, a non-investment entity may choose the accounting policy to be used in accounting for its interest in an equity accounted investment entity. In this case, when applying the equity accounting method a non-investment entity may choose measurement at fair value of interests in the investment entity's subsidiaries or, alternatively, measurement based on the value which would be recognised if the investment entity consolidated all of its subsidiaries.

The Group does not expect that the amendments will affect its consolidated financial statements as the Parent does not meet the conditions to be recognised as an investment entity.

- **Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements), effective for periods beginning on or after January 1st 2016**

The main guidelines included in the amendments:

- Focus on materiality. Specific disclosures that are immaterial do not have to be presented even if they are part of the minimum content required under a given standard.
- Notes to financial statements do not have to be presented in a specific order. Instead, entities may use their preferred order or combine the description of accounting policies with notes on the related areas.
- Direct statement that entities:
    - should disaggregate items of the statement of financial position and the statement of profit or loss and other comprehensive income when such presentation provides users of financial statements with useful information, and
    - may aggregate items in the statement of financial position when items under IAS 1 are not individually material.
- Addition of detailed criteria for the presentation of subtotals in the statement of financial position and the statement of profit or loss and other comprehensive income, together with

additional requirements relating to the reconciliation of items in the statement of profit or loss and other comprehensive income.

- Other comprehensive income attributable to joint ventures and associates accounted for with the equity method should be presented in the statement of other comprehensive income using the approach required under IAS 1, under which such items should be grouped on the basis of whether they will or will not be subsequently reclassified to the statement of profit or loss.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

The Group has not opted for early application of any of the standards, interpretations or amendments that have been published but are not yet effective.

10.3 Basis of accounting

These consolidated financial statements have been prepared in accordance with the EU-endorsed International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) and include data for the twelve months from January 1st to December 31st 2014 and comparative data for the period from January 1st to December 31st 2013, as well as data for Q4 2014 and Q4 2013. In accordance with the applicable laws, the financial statements for the financial year ended December 31st 2014, including the comparative data for the financial year ended December 31st 2013, were audited by a qualified auditor. Data for Q4 2014 and the comparative data for Q4 2013 were not audited by a qualified auditor.

These consolidated financial statements have been prepared on the historical cost basis, except with respect to the following significant items of the statement of financial position:

- financial derivatives, which were measured at fair value,
- certificates of origin (green certificates), which were measured at fair value,
- borrowings, measured at adjusted cost.

The International Financial Reporting Standards comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Some of the Group companies keep their accounts in accordance with the accounting policies defined in the Polish Accountancy Act of September 29th 1994, as amended (the "Act"), and secondary legislation issued thereunder (the "Polish Accounting Standards"). In these consolidated financial statements certain adjustments have been made to bring the financial statements of these companies into conformity with the IFRS, which are not disclosed in their books of account.

10.4 Significant accounting judgements

Certain information presented in these consolidated financial statements is based on the Group's estimates and professional judgement. The amounts determined in that manner will often differ from actual results. The judgements and estimates with the largest impact on the valuation and recognition of assets and liabilities include:

- Classification and valuation of leases – the Group as the lessor – the Group classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of a given transaction;
- Receivables from the sale of wind farms – the date of collecting the receivables depends on the fulfilment of agreement terms.

In the year ended December 31st 2014, the Group made no changes in its method of making judgements affecting the information presented in the consolidated financial statements. The amounts arrived at using professional judgement are presented in Note 19.

10.5 Significant estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of a material adjustment being required in the carrying amounts of assets and liabilities in the next financial year are discussed below.

- Impairment losses on wind farm development projects (Note 18),
- Classification of certificates of origin and emission reduction units (Note 31),
- Depreciation/amortisation rates – depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates,
- Impairment losses on receivables (Note 19),
- Provisions for disputes and unused holiday entitlements (Note 25),
- Financial assets and liabilities under forward contracts (Note 21),
- Compensation for stranded costs and compensation for the cost of consumption of collected natural gas and of uncollected natural gas ("cost of gas") – the Company's future operations are significantly influenced by the Agreement Terminating the Long-Term Electricity Supply Contract ("LTC") with PGE Polska Grupa Energetyczna S.A. (previously: Polskie Sieci Elektroenergetyczne S.A.), signed by the Management Board of Elektrociepłownia Nowa Sarzyna Sp. z o.o. on December 28th 2007 pursuant to the Act on Rules of Compensating for Costs Incurred by Energy Producers Due to Early Termination of Long-term Capacity and Electricity Purchase Contracts ("LTC Termination Act"), passed by the lower chamber of the Polish Parliament (the Sejm) on June 29th 2007. Under the Termination Agreement, the Company's LCT was terminated on March 31st 2008 in exchange for compensation intended to cover stranded costs and the cost of gas. Under the LTC Termination Act, the maximum compensation payable to the Company is PLN 777.5m – to cover stranded costs, and PLN 340.7m – to cover the cost of gas. The Company calculates the amount of stranded costs and compensation for the cost of gas based on formulas specified in Art. 30, 31, 45 and 46 of the LTC Termination Act. Due to the length of the period covered by the calculations, the estimated amounts may change (see Note 34); the amounts disclosed as at the end of the reporting period have been estimated based on the Company's best knowledge and data available on that date,
- Deferred tax – the Group recognises a deferred tax asset if it is assumed that taxable income will be generated in the future against which the asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid (Note 24),
- Impairment of assets – the Group carried out tests for impairment of non-current assets. This required an estimation of the value in use of the cash-generating unit to which these non-current assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

In the period ended December 31st 2014, the Group made no changes in its method of making estimates affecting the information presented in the consolidated financial statements, and the estimated amounts were presented in notes referred to above.

10.6 Measurement currency and reporting currency of the consolidated financial statements

The measurement currency of the Parent and other companies covered by these consolidated financial statements, and the reporting currency of these consolidated financial statements is the Polish złoty (PLN).

10.7 Basis of consolidation

These consolidated financial statements incorporate the financial statements of Polenergia S.A. and its subsidiaries as at December 31st 2014. Subject to adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature. Adjustments are made in order to eliminate any discrepancies in the accounting principles applied by the companies.

Subsidiaries are fully consolidated starting from the date when the Parent obtains control over them and cease to be consolidated when that control is lost. The Parent exercises control over a subsidiary if it holds, directly or indirectly through subsidiaries, more than half of voting rights in a given company, unless it is possible to demonstrate that the ownership of more than half of voting rights does not constitute control. Control is deemed to be exercised also when the Company has the power to direct the financial and operating policies of an entity.

As at the date of inclusion of a subsidiary in the consolidated financial statements, its assets and liabilities are recognised at fair value. The difference between the fair value of such assets and liabilities and the purchase price is recognised as goodwill under a separate item of the consolidated statement of financial position.

Any balances and transactions of significant value between Group companies, including unrealised gains from intra-Group transactions, have been fully eliminated. Unrealised losses are eliminated unless they are indicative of impairment.

10.8 Investments in associates

Shares in associates are accounted for with the equity method. Associates are those entities over which the Parent has significant influence, either directly or indirectly through its subsidiaries, but which are neither its subsidiaries nor joint ventures. The financial statements of associates serve as the basis for equity method valuation of the interests held by the Parent. Financial year of associates and of the Parent is the same.

Investments in associates are recognised in the statement of financial position at cost, increased by subsequent changes in the Parent’s share in net assets of the entities, less impairment losses, if any. The Parent’s share in profits or losses of associates is reflected in the statement of profit or loss. An adjustment to the carrying amount may also be necessary in the case of a change in the proportion of the interest held in an associate following changes in the associate’s other comprehensive income. Investments in associates are tested for impairment whenever there is indication of impairment or indication that any previously recognised impairment loss does not need to be recognised any longer.

If a change is recognised directly in equity of associates, the Parent recognises its share in each change and, if applicable, discloses it in the statement of changes in equity.

10.9 Goodwill

Goodwill arising on acquisition is initially recognised at cost, equal to the excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously-held equity interest in the acquiree,

over net identifiable assets acquired and liabilities assumed as at the acquisition date.

Following the initial recognition, goodwill is carried at cost less cumulative impairment losses.

Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.
As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or set of units to which goodwill has been allocated:

- corresponds to the lowest level at which goodwill is monitored for internal management purposes, and
- is not greater than a single operating segment, determined in accordance with IFRS 8 Operating Segments.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit’s business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. In such a case goodwill disposed of is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

10.10 Intangible assets

Intangible assets which are separately acquired or produced (if they meet the criteria for being recognised as development expenditure) are initially recognised at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. With the exception of capitalised development expenditure, expenditure on intangible assets produced by the Group is not capitalised and is charged to expenses in the period in which it was incurred.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised over their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not used are tested for impairment annually at the level of the separate asset or the relevant cash generating unit.

Expected useful lives of intangible assets are as follows:

Patents, licences	1 year
Software	2-5 years
Other intangible assets	5 years

Expenditure on research activities is charged to the statement of profit or loss as incurred. Expenditure incurred on development work performed as part of a given project is carried forward to the next period when it can be assumed that it will be recovered in the future. After initial recognition of expenditure on development work, the historical cost model is applied, which requires that assets be disclosed at cost less accumulated depreciation/amortisation and impairment. Any expenditure carried forward is amortised over the period during which income is expected to be generated from the sale of a given project.

The carrying amount of development costs is reviewed for impairment annually if the asset is not yet in use, or more frequently if an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Gains or losses from derecognition of an intangible asset are measured as the difference between net proceeds from the sale of the asset and its carrying amount, and are recognised in the statement of profit or loss upon derecognition of the asset.

10.11 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

The initial value of an item of property, plant and equipment is represented by its cost, which includes all costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to profit or loss when incurred.

Upon acquisition, items of property, plant and equipment are divided into components of material value which can be assigned different economic useful lives. The cost of overhauls is also deemed a component.

Items of property, plant and equipment other than land are depreciated using the straight-line method over their estimated useful lives.

Buildings and structures	20 years
Plant and equipment	2.5−20 years
Vehicles	2.5−5 years
Other property, plant and equipment	5−7 years

Residual values, useful lives and methods of depreciation are reviewed annually and, if necessary, adjusted with effect from the beginning of the financial year that has just ended.

Each item of property, plant is accounted for separately and depreciated over its useful life.

An item of property, plant and equipment can be derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses on derecognition of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are disclosed in profit or loss of the period of derecognition.

10.12 Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost equal to the sum of all costs directly related to their production or acquisition, less impairment losses, if any. Investment materials are carried as property, plant and equipment under construction. Property, plant and equipment under construction are not depreciated until completed and placed in service. Wind farm development expenditure is also recognised as property, plant and equipment under construction.

10.13 Borrowing costs

The costs of bank and other borrowings which may be directly attributed to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such asset. Borrowing costs comprise interest and foreign exchange gains or losses up to an amount equal to the adjustment to interest expense.

10.14 Impairment losses on non-financial non-current assets

An assessment is made at the end of each reporting period to determine whether there is any indication that any of non-financial non-current assets may be impaired. If the Group finds that there is such indication, or if the Group is required to perform annual impairment tests, it estimates the recoverable amount of a given asset or the cash-generating unit to which a given asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised, reducing the asset's carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Group assesses at the end of each reporting period whether there is any indication that previously recognised impairment of an asset no longer exists or should be reduced. If such indication exists, the Group estimates the asset's recoverable amount. A recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an impairment loss is immediately recognised as income in profit or loss. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

10.15 Financial assets

Financial assets are classified into the following categories:

- Financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans and receivables
- Financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, other than:

- financial assets that have been designated at fair value through profit or loss upon initial recognition,
- financial assets designated as available for sale,
- financial assets that qualify as loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. Financial assets are classified as held for trading if they:

- have been acquired principally for the purpose of being sold in the near future,

- are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
- are derivative instruments (except for those which are part of hedge accounting or financial guarantee contracts),

b) it has been assigned to this category on initial recognition, in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Any changes in the value of these financial instruments are recognised directly in the statement of profit or loss as finance income or costs. An entire contract can be designated as financial assets at fair value through profit or loss if it contains one or more embedded derivative instruments. This does not apply to situations where an embedded derivative does not materially modify the cash flows of the contract or its separation is prohibited. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial assets contain embedded derivative instruments which should be presented separately.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets if their maturity does not exceed 12 months after the end of the reporting period. Loans and receivables with maturities exceeding 12 months from the end of the reporting period are classified as non-current assets.

Financial assets available for sale are non-derivative financial assets which have been classified as available for sale, or which do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value (without deducting the sale transaction costs), determined by reference to their market value as at the reporting date. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment losses, if any. The positive or negative difference between the fair value of available-for-sale financial assets (if they have a market price derived from an active market or their fair value can be otherwise established in a reliable manner) and their cost is recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

Any purchase or sale of financial assets is recognised at the transaction date. On initial recognition, financial assets are recognised at fair value plus – in the case of financial assets other than those at fair value through profit or loss – transaction costs directly attributable to the purchase.

Financial assets are derecognised if the Group loses control of the contractual rights that constitute a given financial instrument, which usually takes place upon sale of the instrument or where all cash flows attributable to the given instrument are transferred to a third party.

10.16 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, an impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of the asset is reduced directly or by recognising an impairment loss, which is charged to profit or loss.

The Group first determines whether there exists an objective indication of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. Assets that are individually tested for impairment and for which an impairment loss has been recognised or it has been concluded that the previously recognised impairment loss will not change, are not taken into account in collective testing of assets for impairment.

If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Reversal of an impairment loss is recognised in profit or loss, in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial assets available for sale

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal payments) and its current fair value, reduced by any impairment losses previously recognised in profit or loss, is derecognised from equity and taken to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale may not be recognised in the statement of profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event that occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the reversal amount is recognised in profit or loss.

10.17. Leases

The Group as a lessee

Finance leases, which transfer substantially all the risks and rewards incidental to the ownership of the leased asset to the Group, are recognised in the statement of financial position at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is taken directly to profit or loss.

Property, plant and equipment used under finance leases are depreciated over the shorter of their estimated useful life and the lease term.

Leases under which the lessor retains substantially all risks and rewards resulting from the ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

The Group as a lessor

Assets leased out under a finance lease are presented as receivables in an amount equal to the net investment in the lease. Lease payments are apportioned between the finance income and the reduction of the lease receivable. The finance charge and finance income are taken directly to profit or loss.

10.18. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing materials inventories to their present location and condition are included in the cost of the inventories and measured at cost, determined using the weighted average cost formula.

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The cost of finished goods and work-in-progress includes the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity utilisation.

Net realisable value is the selling price realisable as at the reporting date, net of VAT and excise duty, less any rebates, discounts and other similar items, and less estimated costs to complete and costs to sell.

Due to the short operating cycle and high turnover, certificates of origin (see Section 10.28.6) and emission reduction units (see Section 10.32) are recognised as inventories.

10.19. Current and non-current receivables

Trade receivables other than lease receivables (for details see Section 10.17) are measured at amounts due less impairment losses, if any.

Receivables are remeasured to account for the probability of their payment, and impairment losses are recognised where necessary. Impairment losses on receivables are charged to other expenses or finance costs, depending on the nature of the receivables.

Receivables which have been cancelled, have become time-barred or unrecoverable, for which no impairment loss has been recognised (or where recognised impairment losses do not cover the full amount receivable), are posted to other expenses or finance costs, respectively.

Receivables from the state budget are presented as other current receivables, except corporate income tax receivable, disclosed as a separate item of the statement of financial position.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. If the discount method is applied, any increase in the amount of the receivables reflecting the passage of time is recognised as finance income.

10.20. Foreign currency transactions

Transactions denominated in currencies other than the Polish zloty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

Cash, bank borrowings and other monetary assets and liabilities denominated in foreign currencies are translated into the złoty as at the reporting date at the mid-market rate quoted by the National Bank of Poland. Currency translation differences are recognised in finance income or costs, as appropriate. Changes in the fair value of derivatives designated as hedging instruments for hedge accounting purposes are recognised in accordance with applicable hedge accounting policies (see Note 41).

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value.

The following exchange rates were used to determine the carrying amounts:

	Dec 31 2014	**Dec 31 2013**
USD	3,5072	3,0120
EUR	4,2623	4,1472
GBP	5,4648	4,9828
CAD	3,0255	2,8297

10.21. Cash and cash equivalents

Cash and cash equivalents disclosed in the consolidated statement of cash flows comprise cash in hand, bank deposits maturing in up to three months, and treasury bills and bonds which are not classified as investing activities.

10.22. Prepayments and accrued income

The Group recognises prepayments where costs relate to future reporting periods. Prepayments are recognised at probable amounts of current-period liabilities.

10.23. Share capital

Share capital is disclosed at its amount defined in the Parent's Articles of Association and registered in the court register. Any difference between the fair value of consideration received and the par value of shares is recognised in statutory reserve funds under share premium account. Amounts paid for share repurchases are charged to equity and disclosed in the statement of financial position as treasury shares. Declared but outstanding contributions to equity are disclosed under "Called-up share capital not paid".

10.24. Provisions

Provisions are recognised if Group companies have a legal or constructive obligation resulting from a past event and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where expenditure required to settle the obligation is expected to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be actually received. Cost related to a given provision is recognised in profit or loss net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognised as finance costs.

10.25. Provisions for retirement gratuity and jubilee benefits

In accordance with company remuneration systems, employees of the Group are entitled to jubilee and retirement gratuity benefits. Jubilee benefits are paid after a specific period of employment, whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. Amounts of such benefits depend on the length of service and the average remuneration of an employee. The Company recognises a provision for future retirement gratuity and jubilee benefit obligations in order to allocate costs to the periods to which they relate. According to IAS 19, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits – as defined post-employment benefit plans. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

10.26. Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

Amortised cost includes the cost of obtaining the funding as well as any discounts or premiums obtained in connection with the liability.

Any gains or losses are taken to profit or loss when the liability is derecognised or accounted for using the effective interest rate method.

10.27. Trade and other payables

Current trade payables are reported at nominal amounts payable. Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. When a debt instrument between the same parties is replaced by another instrument whose terms are substantially different, the Group treats such replacement as if the former financial liability was extinguished and recognises a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented as extinguishment of the former and recognition of a new financial liability. Any differences in the respective carrying amounts arising in connection with the replacement are charged to profit or loss.

Other non-financial liabilities include in particular value added tax payable to tax authorities and liabilities under prepayments received, to be settled by supplying merchandise or property, plant and equipment or by rendering of services. Other non-financial liabilities are recognised at amounts due.

10.28. Recognition of revenue

Revenue is recognised to the extent it is probable that the Company will receive economic benefits which can be reliably measured. Revenue is recognised at fair value of the consideration received or receivable, net of value added tax (VAT), excise tax and discounts. Revenue recognition is also subject to the criteria presented below.

10.28.1. Sale of merchandise and products

Revenue is recognised when significant risks and rewards incidental to the ownership of merchandise or products have been transferred to the customer, and if the revenue amount can be reliably estimated.

10.28.2. Rendering of services

Revenue from rendering of services is based on the percentage of service completion. When the outcome of the contract cannot be estimated reliably, the revenue under the contract is recognised only up to the amount of costs incurred that the Group expects to recover.

10.28.3. Interest

Interest income is recognised gradually as it accrues (using the effective interest rate method, the effective interest rate being one that discounts future cash flows over the estimated life of the financial instrument) relative to the net carrying amount of a given financial asset.

10.28.4. Dividends

Dividends are recognised when the shareholder's right to receive payment is established,

10.28.5. Grants

If there is reasonable certainty that a grant will be received and that all related conditions will be fulfilled, grants are recognised at fair value.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset in equal annual instalments.

10.28.6. Certificates of origin

Due to the short operating cycle and high turnover, green certificates of origin and yellow certificates of origin for energy produced by high-efficiency gas-fired cogeneration sources are measured at fair value and recognised as operating income and current assets (inventories) when energy is generated, to the extent it is probable that the Group will receive the related economic benefits.

10.28.7. Recognition of compensation for stranded costs and cost of gas

Compensation for stranded costs that the Group is entitled to receive under the LTC Termination Act is recognised as revenue on a systematic basis over the accounting period pro rata to estimated operating profit or loss from the sale of electricity, capacity and ancillary services, net of accumulated depreciation of non-current assets used in these operations.

In any given accounting period the revenue may not exceed the lower of: (a) cumulative compensation receivable, estimated in accordance with the rules of final settlement set out in Art. 31.1 of the LTC Termination Act, and (b) maximum amount of compensation that the entity may receive in accordance with Schedule 2 to the LTC Termination Act.

In a corresponding entry, compensation for stranded costs is recognised as a receivable from Zarządca Rozliczeń S.A. Prepayments of compensation for stranded costs, made in equal quarterly instalments in cash, are recognised as a decrease in receivables disclosed in prior periods. The balance shown in the settlement account of Zarządca Rozliczeń as at each reporting date is the best estimate of net receivables owed to or net payables due from the Company, reflecting the amounts of compensation actually received.

Compensation for the costs referred to in Art. 44 of the LTC Termination Act that are incurred by gas-fired units ("cost of gas") is recognised as revenue on a systematic basis over the accounting period, based on actual quantities of electricity and costs of gas and coal. If actual data is not available as at the reporting date, the most up-to-date estimates are used instead. The other policies for recognising and accounting for compensation for cost of gas are the same as those applied to compensation for stranded costs.

10.28.8. Forward contracts

Forward contracts to buy or sell electricity are classified as derivatives and are accounted accordingly to standards applicable to derivative instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognised in profit or loss. Valuation gains and losses are presented on a net basis and recognised under revenue or cost of sales, as appropriate. Valuation is performed with respect to the outstanding part of the contracts, which is broken down into current portion (maturing within 12 months from the reporting date) and non-current portion (maturing after 12 months from the reporting date).

10.28.9. Recognition of carbon emission allowances

Free carbon emission allowances were not recognised in the statement of financial position when they were allotted or in the subsequent periods. As required under the Emissions Act, cost of payments for the allocation were recognised as an expense in the period in which it was incurred.

Revenue from sale of allotted allowances is recognised as revenue, and purchases of allowances are recognised as cost of sales (raw materials and consumables used). If emission allowances held by the Group as at end of the reporting period do not fully cover its actual CO_2 emissions in a given year, the Group recognises a provision for the costs of covering the deficit.

10.29. Taxes

10.29.1. Current income tax

Current tax asset and income tax payable for the current period and for previous periods are measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period.

10.29.2. Deferred tax

For the purposes of financial reporting, the Group calculates deferred tax using the balance-sheet liability method in relation to temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses brought forward, to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax credits and tax losses can be utilised:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit before tax nor taxable income (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

  The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realised in full or in part. As at the end of each reporting period, any unrecognised deferred tax asset is reassessed and recognised to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

Income tax on items posted directly to equity is recognised in equity rather than in profit or loss.

Deferred tax assets and deferred tax liabilities are offset by the Group if and only if has a legally enforceable right to offset current tax assets and income tax payable, and the deferred tax relates to the same tax payer and the same taxation authority.

10.29.3. Value added tax

Revenue, expenses, assets and liabilities are recognised net of VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables, which are recognised inclusive of the VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

10.30. Earnings per share

Earnings per share for a reporting period are calculated as the quotient of net profit for the period and the weighted average number of shares outstanding in the period.

Diluted earnings per share for a period are calculated by dividing net profit, adjusted for the dilutive effect of all potential ordinary shares in the period, by the expected weighted average number of shares.

10.31. Contingent assets and liabilities

A contingent liability is understood as an obligation to make a payment or provide a service which may arise upon the occurrence or non-occurrence of certain future events. Contingent liabilities are not recognised in the statement of financial position, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of resources embodying economic benefits is negligible.

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;

b) a present obligation that arises from past events but is not recognised in the financial statements because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent receivables are not recognised in the statement of financial position, but information on them is disclosed if the inflow of resources embodying economic benefits is likely to occur.

10.32. Emission allowances

The Group recognises a provision for emission allowances if it has a deficit of allowances. A surplus of allowances over actual emissions, if any, is recognised as an off-balance-sheet item.

10.33. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. Its key customers use heat and electricity supplied by the Group mostly for production purposes at their industrial facilities, and this business is not subject to seasonal fluctuations. Wind conditions, which determine electricity output of wind farms, are uneven during the year: in autumn and winter they are significantly better than in spring and summer. The wind farm sites were selected by the Group based on professional wind measurements confirmed by independent and reputable specialists. That said, there can be no assurance that the actual wind conditions will not be different than those used in the Group's models for specific investment projects.

11. Operating segments

For management purposes, the Group performed an analysis to identify operating segments, as a result of which it distinguished: the conventional energy segment comprising generation of electricity and heat, development and implementation segment, wind power segment, biomass segment responsible for the production of pellets from energy crops, distribution segment, and electricity and certificates of origin trading segment. Allocation to the above segments has not changed, but following the acquisition of the Neutron Group, the Group's operations now include new segments. Outsourcing activities have been presented as part of the conventional energy segment.

The Management Board monitors the respective segments' operating performance to make decisions on the allocation of resources, and evaluate the results of the allocation and the segments' operating results. The basis for the evaluation is operating profit or loss, which is to a certain extent measured differently than the operating profit or loss in the consolidated financial statements, as indicated in the table below. Income tax is monitored at the Group level and is not allocated to the operating segments. Unallocated assets comprise the Company's cash.

Prices used in transactions between the operating segments are determined on arm's length basis, as in the case of transactions with unrelated parties.

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For period ended Dec 31 2014	Conventional energy	Development and implementation	Biomass	Wind power	Distribution	Electricity sales and trading	Unallocated *)	Total
Revenue from sales to external customers	131,361	52	66,958	80,673	46,887	604,288	4,294	934,513
Total revenue	131,361	52	66,958	80,673	46,887	604,288	4,294	934,513
Gross profit/(loss)	**14,689**	**(433)**	**3,979**	**36,659**	**6,043**	**10,053**	**6,816**	**77,806**
Administrative expenses	(1,935)	(464)	-	-	(2,243)	(3,253)	(11,605)	(19,500)
Interest income/(expense)	1,940	227	(1,040)	(17,115)	(886)	209	-	(16,665)
Finance income/(costs) from sale of wind farms	-	641	-	-	-	-	-	641
Finance income/(costs) from unrealised exchange gains/losses	61	(30)	-	(1,144)	-	(8)	-	(1,121)
Other finance income/(costs)	(778)	(80)	(416)	(3,093)	(20)	(437)	72	(4,752)
Other income/(expenses)	(815)	(1,111)	(1,739)	4,094	(2,454)	(829)	(28)	(2,882)
Profit (loss) before tax	**13,162**	**(1,250)**	**784**	**19,401**	**440**	**5,735**	**(4,745)**	**33,527**
Income tax expense	-	-	-	-			(2,272)	(2,272)
Net profit/(loss)								31,255
EBITDA (operating profit/(loss) + depreciation and amortisation)**	31,787	(2,006)	5,961	65,947	2,610	5,978	(4,817)	105,460
Segment assets	531,726	597,433	86,382	896,744	144,051	257,101	-	2 513 437
Unallocated assets	-	-	-	-	-	-	218,857	218 857
Total assets	**531,726**	**597,433**	**86,382**	**896,744**	**144,051**	**257,101**	**218,857**	**2 732 294**
Segment liabilities	369,858	140,815	37,157	591,945	71,380	187,099	56	1 398 310
Total liabilities	**369,858**	**140,815**	**37,157**	**591,945**	**71,380**	**187,099**	**56**	**1 398 310**
Expenditure on property, plant and equipment and intangible assets,								
including:								
	4,290	**86,213**	**2,984**	**347,529**	**1,501**	**4**	**-**	**442 521**
Property, plant and equipment	4,290	86,213	2,984	347,529	1,501	4	-	
Depreciation and amortisation	19,848	2	3,721	25,194	1,264	7	-	

*) Including purchase price allocation

**) Operating profit/(loss), i.e. gross profit/(loss) - administrative expenses + other income - other expenses

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For period ended Dec 31 2013	Outsourcing activities - electricity and heat generation	Development, implementation and sale of wind farm projects	Biomass	Wind power	Unallocated	Total
Revenue from sales to external customers	14,988	-	59,632	64,854	-	139,474
Total revenue	14,988	-	59,632	64,854	-	139,474
Gross profit/(loss)	**5,240**	**(408)**	**1,332**	**24,698**	**-**	**30,862**
Administrative expenses	-	-	-	-	(12,029)	(12,029)
Interest income/(expense)	5,336	622	(2,178)	(18,195)	-	(14,415)
Finance income/(costs) from sale of wind farms	-	2,102	-	-	-	2,102
Finance income/(costs) from unrealised exchange gains/losses	(1)	-	(2)	(1,020)	-	(1,023)
Other finance income/(costs)	-	-	-	3,794	(778)	3,016
Other income/(expenses)	(517)	(2,140)*	(4,580)	4,685	(485)	(3,037)
Profit (loss) before tax	-	-	-	-	-	**5,476**
Income tax expense					438	438
Net profit/(loss)						**5,914**
EBITDA (operating profit/(loss) + depreciation and amortisation)**	7,497	(2,548)	583	51,903	(12,514)	44,921
Segment assets	47,043	322,116	85,271	458,305	-	912 735
Unallocated assets	-	-	-	-	36,509	36 509
Total assets	**47,043**	**322,116**	**85,271**	**458,305**	**36,509**	**949 244**
Segment liabilities	1,017	24,088	46,337	362,541	-	433 983
Total liabilities	**1,017**	**24,088**	**46,337**	**362,541**	**-**	**433 983**
Expenditure on property, plant and equipment and intangible assets, including:	**-**	**-**	**96,539**	**1,004**	**2,621**	**100,164**
Property, plant and equipment	-	-	96,539	1,004	2,621	100,164
Depreciation and amortisation	2,774	-	3,831	22,520	-	29,125

*) In 2013, the Parent recognised a PLN 1,289 thousand impairment loss on the Wiadrów project because of unsatisfactory results of wind power measurements in the project location.

**) Operating profit/(loss), i.e. gross profit/(loss) - administrative expenses + other income - other expenses

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12. Earnings per share

Basic earnings per share are calculated as the quotient of net profit attributable to holders of ordinary shares in the Group and the weighted average number of ordinary shares outstanding in the period.

Diluted earnings per share are calculated as the quotient of net profit attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares, including warrants under the management stock option plan).

Presented below is data on the net profit and shares applied to calculate basic and diluted earnings per share:

EARNINGS PER SHARE

	For period ended Dec 31 2014	For period ended Dec 31 2013
Net profit	31,345	5,958
Weighted average number of ordinary shares	29,357,160	21,313,967
Earnings per ordinary share (PLN)	1.07	0.28

	For period ended Dec 31 2014	For period ended Dec 31 2013
Weighted average number of ordinary shares	29,357,160	21,313,967
Dilutive effect	-	-
Diluted weighted average number of ordinary shares	29,357,160	21,313,967

	Number of shares	Number of months	Average number of shares
Jan 1 2014	21,313,967	8	
Aug 31 2014	45,443,547	4	

Weighted average number of ordinary shares for 12 months ended December 31st 2014	**29,357,160**
Dilutive effect	
Diluted weighted average number of ordinary shares for 12 months ended December 31st 2014	**29,357,160**

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13. Intangible assets

INTANGIBLE ASSETS

Dec 31 2014	development work	acquired permits, patents, licences and similar assets, including:	software	intangible assets related to purchase price allocation *)	total intangible assets
1. Gross intangible assets at beginning of period	**865**	**1,825**	**281**	**-**	**2,690**
a) increase, including:	-	1,625	-	58,000	59,625
- acquisition	-	1,607	-	58,000	59,607
- other	-	18	-	-	18
2. Gross intangible assets at end of period	**865**	**3,450**	**281**	**58,000**	**62,315**
3. Cumulative amortisation at beginning of period	**(389)**	**(863)**	**(269)**	**-**	**(1,252)**
- amortisation for current period	(86)	(306)	-	(3,288)	(3,680)
4. Cumulative amortisation at end of period	**(475)**	**(1,169)**	**(269)**	**(3,288)**	**(4,932)**
5. Impairment losses at beginning of period	-	-	-	-	-
6. Impairment losses at end of period	-	-	-	-	-
7. Net intangible assets at beginning of period	**476**	**962**	**12**	**-**	**1,438**
8. Net intangible assets at end of period	**390**	**2,281**	**12**	**54,712**	**57,383**

*) For a detailed breakdown of intangible assets, see Note 8.

INTANGIBLE ASSETS

Dec 31 2013	development work	acquired permits, patents, licences and similar assets, including:	software	total intangible assets
1. Gross intangible assets at beginning of period	**865**	**1,002**	**281**	**1,867**
a) increase, including:	-	837	-	837
- acquisition	-	837	-	837
b) decrease, including:	**-**	**(14)**	**-**	**(14)**
- sale and liquidation	-	(14)	-	(14)
2. Gross intangible assets at end of period	**865**	**1,825**	**281**	**2,690**
3. Cumulative amortisation at beginning of period	(305)	(739)	(267)	(1,044)
- Amortisation for current period	(84)	(138)	(2)	(222)
- decrease, including:	-	14	-	14
- sale and liquidation	-	14	-	14
4. Cumulative amortisation at end of period	**(389)**	**(863)**	**(269)**	**(1,252)**
5. Impairment losses at beginning of period	-	-	-	-
6. Impairment losses at end of period	-	-	-	-
7. Net intangible assets at beginning of period	**560**	**263**	**14**	**823**
8. Net intangible assets at end of period	**476**	**962**	**12**	**1,438**

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14. Goodwill

GOODWILL	Dec 31 2014	Dec 31 2013
- Dipol Sp. z o.o.	132	132
- Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
- Amon Sp. z o.o.	85	85
- Talia Sp. z o.o.	56	56
- Neutron Group	183,777	-
- Other	175	189
Total goodwill	**184,662**	**899**

GOODWILL	Dec 31 2014	Dec 31 2013
- Goodwill arising on consolidation at beginning of period	**899**	**903**
- Increase (decrease) in goodwill arising on consolidation	183,763	(4)
Total goodwill	**184,662**	**899**

Goodwill related to subordinated entities, recognised as a result of the contribution of the Neutron Group assets to the Group, as described in more detail in Note 8, is attributable to the difference between the purchase price and the fair value of net assets acquired.

Goodwill following from the abovementioned transaction amounted to PLN 184m and was attributable to the following cash-generating segments:

(i) PLN 75m − development segment − comprising PPG Pipeline Projektgesellschaft mbH, PPG Polska Sp. z o.o., and Natural Power Association Sp. z o.o. along with the subsidiaries;

(ii) PLN 40m – conventional energy segment − comprising Elektrociepłownia Nowa Sarzyna;

(iii) PLN 10m – distribution segment – comprising Polenergia Dystrybucja and Polenergia Kogeneracja;

(iv) PLN 59m − trading segment − comprising Polenergia Obrót.

The abovementioned figures are provisional since, pursuant to IFRS 3, the acquiring entity is required to carry out fair value measurement of the acquired assets within 12 months from the acquisition date. In view of the above, the disclosed goodwill related to subordinated entities as well as its allocation to individual segments are approximate, and are subject to change within 12 months from the date of acquisition of the Neutron Group. The goodwill amount is not final, as valuations are still being verified.

As at December 31st 2014, the Group tested goodwill for impairment.

The recoverable amount of individual operating segments and projects under development (except for the Elektrownia Północ power plant project) was estimated using the income approach, involving determination of the present value of discounted future cash flows for the owners of equity and external capital.

The valuation was based on long-term financial forecasts prepared for each tested asset individually, and on cost of capital commensurate with the risk related to each of the entities being valued. Depending on the nature of operations, cost of capital was assumed at 8.3-12.5%.

The future cash flows were estimated based on assumptions regarding market prices of coal, natural gas, CO_2 emission allowances, electricity, and certificates of origin for electricity generated from renewable sources ("green certificates") and high-efficiency cogeneration ("yellow certificates") owned by the Group.

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Operating activities

It has been assumed that until May 2020 the conventional energy segment will operate under the provisions of the LTC Termination Act. After 2020, the generation assets (1 gas turbine, 1 steam turbine) will be also used, apart from their use for co-generation of heat and electricity, as an intervention power reserve (turbine 2) and as means of rebuilding the national power system.

The future cash flows in the trading segment were estimated for individual portfolios (trading portfolio, wind farms portfolio, etc.).

The estimates were based on the forecasts regarding the prices of electricity, certificates of origin, and fuels held by the Group.

The main assumptions that were made for the purpose of these tests are presented in the table below.

	Conventional energy	**Distribution**	**Trade**
Average annual increase/decrease in EBITDA over the detailed projection period	(5.7%) in the period 2015–2030, including: - 2015–2020: (29.6%) - 2021–2031: 12.5%[1]	1.9%	10.2%
Cash flow growth rate in the residual period	n.a.	1.1%	n.a.
Detailed projection period[2]	2015– 2031	2015–2022	2015–2030

[1]– The calculation presented in the table for the conventional energy segment has been made for full business years.
[2] – Projection periods have been determined in consideration of the nature of the assets measured.

Projects under development

The following valuation methods have been adopted to test the projects under development:

- construction of the Bernau-Szczecin gas pipeline − income approach (discounted cash flow method) adjusted for discount related to the progress of work,

- construction of off-shore wind farms − income approach (discounted cash flow method) adjusted for discount related to the progress of work,

- construction of the Elektrownia Północ power plant − cost approach (carrying amount of net assets).

	Bernau-Szczecin gas pipeline	**Offshore wind farms**
Projection period	30 years from the launch of operation	25 years from the launch of operation
Project launch	January 2020	January 2022 (600 MW), and January 2026 (600 MW)

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15. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

Dec 31 2014	land (including perpetual usufruct rights to land)	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	prepayments for property, plant and equipment under construction	Total property, plant and equipment
1.Gross property, plant and equipment at beginning of period	**3,147**	**134,493**	**398,829**	**5,033**	**1,014**	**113,203**	**-**	**655,720**
a) increase, including:	**4,321**	**267,642**	**527,927**	**2,389**	**2,182**	**844,821**	**10,335**	**1,659,617**
- acquisition	-	484	687	2,135	518	444,006	8	447,838
- acquisition through merger	4,321	145,159	190,912	304	1,651	304,495	10,327	657,169
- transfer	-	121,422	336,353	-	12	96,492	-	554,279
- other	-	577	(25)	(50)	1	(172)	-	331
b) decrease, including:	**-**	**(687)**	**(188)**	**(986)**	**(635)**	**(457,805)**	**29**	**(460,272)**
- sale and liquidation	-	(661)	(188)	(986)	(93)	-	-	(1,928)
- other (including finance lease)	-	(26)	-	-	(407)	-	-	(433)
- transfer	-	-	-	-	(135)	(457,805)	29	(457,911)
2. Gross property, plant and equipment at end of period	**7,468**	**401,448**	**926,568**	**6,436**	**2,561**	**500,219**	**10,364**	**1,855,065**
3. Cumulative depreciation at beginning of period	**-**	**(18,591)**	**(79,096)**	**(2,692)**	**(489)**	**(156)**	**-**	**(101,024)**
- depreciation for current period	-	(11,986)	(33,280)	(939)	(151)	-	-	(46,356)
- decrease, including:	-	201	112	783	92	(99)	-	1,089
- sale and liquidation	-	201	420	944	94	-	-	1,659
- other (including finance lease)	-	-	(308)	(161)	(2)	(99)	-	(570)
4. Cumulative depreciation at end of period	**-**	**(30,376)**	**(112,264)**	**(2,848)**	**(548)**	**(255)**	**-**	**(146,291)**
5. Impairment losses at beginning of period	**-**	**(466)**	**(1,015)**	**-**	**-**	**(228)**	**-**	**(1,709)**
- increase	-	(344)	-	-	-	-	-	(344)
6. Impairment losses at end of period	**-**	**(810)**	**(1,015)**	**-**	**-**	**(228)**	**-**	**(2,053)**
7. Net property, plant and equipment at beginning of period	**3,147**	**115,436**	**318,718**	**2,341**	**525**	**112,819**	**-**	**552,988**
8. Net property, plant and equipment at end of period	**7,468**	**370,262**	**813,289**	**3,588**	**2,013**	**499,736**	**10,364**	**1,706,722**

In the year ended December 31st 2014, the Group incurred borrowing costs qualifying for capitalisation under initial value of property, plant and equipment, totalling PLN 7,885 thousand. As at December 31st 2014, land and buildings worth PLN 217,341 thousand were encumbered with mortgages securing the repayment of credit facilities. The carrying amount of vehicles used under lease agreements as at December 31st 2014 was PLN 3,557 thousand.

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PROPERTY, PLANT AND EQUIPMENT

Dec 31 2013	land (including perpetual usufruct rights to land)	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	prepayments for property, plant and equipment under construction	Total property, plant and equipment
1.Gross property, plant and equipment at beginning of period	**3,147**	**134,046**	**409,321**	**4,637**	**983**	**5,797**	**-**	**557,932**
a) increase, including:	**-**	**452**	**974**	**471**	**48**	**107,493**	**26**	**109,464**
- acquisition	-	452	880	471	48	5,098	26	6,975
- transfer	-	-	94	-	-	-	-	94
- other	-	-	-	-	-	102,395	-	102,395
b) decrease, including:	**-**	**(5)**	**(11,466)**	**(75)**	**(17)**	**(87)**	**(26)**	**(11,676)**
- sale and liquidation	-	(5)	(1,095)	(75)	(17)	-	-	(1,192)
- other (including finance lease)	-	-	(10,371)	-	-	-	(14)	(10,385)
- transfer	-	-	-	-	-	(87)	(12)	(99)
2. Gross property, plant and equipment at end of period	**3,147**	**134,493**	**398,829**	**5,033**	**1,014**	**113,203**	**-**	**655,720**
3. Cumulative depreciation at beginning of period	**-**	**(11,547)**	**(64,941)**	**(2,022)**	**(418)**	**(156)**	**-**	**(79,084)**
- depreciation for current period	-	(7,049)	(21,047)	(721)	(86)	-	-	(28,903)
- decrease, including:	-	5	6,892	51	15	-	-	6,963
- sale and liquidation	-	5	389	51	15	-	-	460
- other (including finance lease)	-	-	6,503	-	-	-	-	6,503
4. Cumulative depreciation at end of period	**-**	**(18,591)**	**(79,096)**	**(2,692)**	**(489)**	**(156)**	**-**	**(101,024)**
5. Impairment losses at beginning of period	**-**	-	(773)	-	-	(228)	-	(1,001)
- increase	-	(466)	(242)	-	-	-	-	(708)
6. Impairment losses at end of period	**-**	(466)	(1,015)	-	-	(228)	-	(1,709)
7. Net property, plant and equipment at beginning of period	**3,147**	**122,499**	**343,607**	**2,615**	**565**	**5,413**	**-**	**477,847**
8. Net property, plant and equipment at end of period	**3,147**	**115,436**	**318,718**	**2,341**	**525**	**112,819**	**-**	**552,988**

In the year ended December 31st 2013, the Group did not incur any borrowing costs qualifying for capitalisation under initial value of property, plant and equipment.
As at December 31st 2013, land and buildings worth PLN 118,583 thousand were encumbered with mortgages securing the repayment of credit facilities.
The carrying amount of vehicles used under lease agreements as at December 31st 2013 was PLN 732 thousand.
The increase of PLN 102,395 thousand in gross value of property, plant and equipment under construction resulted from the transfer of a part of wind farm development projects under construction from inventories. The Group intends to operate the wind farms, after they are completed, through special purpose vehicles.

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

16. Non-current receivables

	Dec 31 2014	Dec 31 2013
- receivables from other entities	4,269	3,453
- finance lease	3,203	3,453
- other receivables	1,066	-
Non-current receivables, net	4,269	3,453

The finance lease item refers to the lease of a turbine in the Zakrzów CHP plant project.

17. Non-current financial assets

	Dec 31 2014	Dec 31 2013
- in other entities	7,413	368
- shares in non-listed companies	503	368
- long-term contracts	6,910	-
Total non-current financial assets	**7,413**	**368**

18. Inventories

	Dec 31 2014	Dec 31 2013
- materials and merchandise	19,475	14,690
- certificates of origin	21,471	8,838
- wind farm development projects*)	-	95,698
- property rights	-	361
- prepaid deliveries	167	297
Total inventories, net	**41,113**	**119,884**
Inventory write-downs	1,921	2,575
Total inventories, gross	**43,034**	**122,459**

*) The operating cycle for a wind farm development project may be longer than 12 months.

In line with its new business model, the Group implements wind farm development projects for own needs. Expenditure on such projects is recognised under property, plant and equipment.

19. Current receivables

	Dec 31 2014	Dec 31 2013
- trade receivables	109,042	23,526
- from related entities	7,120	59
- from other entities	101,922	23,467
- income tax receivable	1,927	349
- other receivables	69,251	30,581
- from the state budget	41,738	30,015
- finance lease	292	-
- expenditure on leased property, plant and equipment	432	-
- settlements of long-term contracts	21,818	-
- other	4,971	566
Total current receivables, net	**180,220**	**54,456**
- impairment losses on receivables	8,853	925
Total current receivables, gross	**189,073**	**55,381**

For information on related-party transactions, see Note 43.

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Trade receivables bear no interest and are typically payable within 7–45 days.

As at December 31st 2014, impairment losses on unrecoverable trade receivables went up to PLN 8,853 thousand from PLN 925 thousand as at December 31st 2013. Changes in impairment losses on trade receivables were as follows:

	Dec 31 2014	Dec 31 2013
At beginning of period	**925**	**722**
- Increase	8,282	925
- Use	(354)	(451)
- Reversal	-	(271)
At end of period	**8,853**	**925**

Presented below is a breakdown of trade receivables which were past due as at December 31st 2014 and December 31st 2013, but were not considered unrecoverable. Other receivables are not past due.

	Total	Not past due	Past due but recoverable				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120	>120
Dec 31 2014	109 042	101,112	6,904	266	116	197	447
Dec 31 2013	23 526	23,242	55	2	14	33	180

20. Current prepayments and accrued income

	Dec 31 2014	Dec 31 2013
- insurance	3,411	471
- subscriptions	37	20
- wind turbine maintenance	949	679
- property tax, perpetual usufruct charges, lease payments	40	13
- accrued income	482	-
- accrued commissions	2,535	2,447
- other*)	1,109	3,733
Total current prepayments and accrued income	**8,563**	**7,363**

21. Current financial assets

	Dec 31 2014	Dec 31 2013
- loans advanced	3,022	253
- valuation of forward contracts *)	114,208	-
Total current financial assets	**117,230**	**253**

– Forward contracts to buy or sell electricity entered into by Polenergia Obrót S.A., a subsidiary, are classified as derivatives and are accounted accordingly to standards applicable to derivative instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognised in profit or loss. Valuation gains and losses are presented on a net basis and recognised under revenue or cost of sales, as appropriate. Valuation is performed with respect to the outstanding part of the contracts, which is broken down into current portion (to be settled within 12 months from the reporting date), and non-current portion (to be settled in subsequent years).

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	Dec 31 2014	Dec 31 2013
Gain /(loss) on valuation of derivatives	6,159	-

	Dec 31 2014	Dec 31 2013
Current assets	114,208	-
Non-current assets	873	-
Total	**115,081**	**-**

	Dec 31 2014	Dec 31 2013
Current liabilities	100,987	-
Non-current liabilities	568	-
Total	**101,555**	**-**

The table below includes information on financial assets and liabilities which the Group measures at fair value and classifies at specific levels of the fair value hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities (not adjusted),
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability in active markets,
- Level 3 – unobservable inputs for the asset or liability.

Derivatives are pairs of forward contracts (long and short positions) entered into on stock exchanges for speculative purposes. They are measured on the basis of a model using market parameters, i.e. the market price of the instrument discounted using interest rates (Level 2). The effect of unobservable inputs, if any, on the valuation of derivatives was negligible.

Class of financial instrument

Dec 31 2014	Level 2	Total
Current assets	114,208	114,208
Non-current assets	873	873
Total	**115,081**	**115,081**
Current liabilities	100,987	100,987
Non-current liabilities	568	568
Total	**101,555**	**101,555**
Net fair value	13,526	13,526

The table below presents the sensitivity of profit/loss to potential movements in market prices of electricity and gas. The calculation was performed with respect to forward contracts to buy or sell electricity, classified as derivatives measured at fair value.

	Price change	Effect on profit/loss Dec 31 2014	Effect on profit/loss Dec 31 2013
Market price increase	+1%	118	-
Market price decrease	-1%	(50)	-

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22. Cash and cash equivalents

	Dec 31 2014	Dec 31 2013
Cash and cash equivalents	416,809	208,142
- cash in hand and at banks	416,809	208,142
Total cash and cash equivalents	**416,809**	**208,142**

As at December 31st 2014, restricted cash of PLN 92,989 thousand was held in blocked bank accounts as security for repayment of credit facilities.

Cash at banks earns interest at floating rates linked to interest rates for overnight deposits. Current deposits are placed for various periods, from one day to one month, depending on the Group's immediate cash requirement, and earn interest at agreed interest rates.

23. Share capital and statutory reserve funds/capital reserves

23.1. Share capital

Dec 31 2014

Series/issue	Type of shares	Number of shares	Par value of series/issue
A	bearer	2,213,904	4,428
B	bearer	2,304,960	4,610
C	bearer	515,256	1,031
D	bearer	566,064	1,132
E	bearer	1,338,960	2,678
F	bearer	544,800	1,090
G	bearer	683,376	1,367
H	bearer	288,000	576
I	bearer	856,704	1,713
J	bearer	3,835,056	7,670
K	bearer	1,640,688	3,281
L	bearer	3,144,624	6,289
M	bearer	182,359	365
N	bearer	69,922	140
O	bearer	70,908	142
P	bearer	89,500	179
R	bearer	37,560	75
S	bearer	147,026	294
U	bearer	125,300	251
W	bearer	143,200	286
T	bearer	945,800	1,891
Y	bearer	1,570,000	3,140
Z	bearer	24,129,580	48,259
Total number of shares		**45,443,547**	
Total share capital			90,887
Par value per share (PLN)			2

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Dec 31 2013

Series/issue	Type of shares	Number of shares	Par value of
A	bearer	2,213,904	4,428
B	bearer	2,304,960	4,610
C	bearer	515,256	1,031
D	bearer	566,064	1,132
E	bearer	1,338,960	2,678
F	bearer	544,800	1,090
G	bearer	683,376	1,367
H	bearer	288,000	576
I	bearer	856,704	1,713
J	bearer	3,835,056	7,670
K	bearer	1,640,688	3,281
L	bearer	3,144,624	6,289
M	bearer	182,359	365
N	bearer	69,922	140
O	bearer	70,908	142
P	bearer	89,500	179
R	bearer	37,560	75
S	bearer	147,026	294
U	bearer	125,300	251
W	bearer	143,200	286
T	bearer	945,800	1,891
Y	bearer	1,570,000	3,140
Total number of shares		**21,313,967**	
Total share capital			42,628
Par value per share (PLN)			2

Shares of all series carry equal rights as to dividend and return on equity.

23.2. Significant shareholders

Shareholders holding 5% or more of the total number of shares:

No.	Shareholder	Number of shares	Number of voting rights	% interest
1	Kulczyk Investment S.A.*	29,811,757	29,811,757	65.60%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7,266,122	7,266,122	15.99%
3	Generali OFE	2,943,731	2,943,731	6.48%
4	Aviva OFE	3,060,872	3,060,872	6.74%
5	Other	2,361,065	2,361,065	5.20%
	Total	**45,443,547**	**45,443,547**	

* Through Mansa Investments Sp. z o.o., a subsidiary.
** Through Capedia Holdings Limited of Nicosia, Cyprus, a subsidiary.

23.3. Other capital reserves

Other capital reserves have been created from profits generated in previous financial years.

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23.4. Undistributed profit and limitations on dividend payment

Under the Polish Commercial Companies Code, the Parent is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the separate financial statements of the Parent should be contributed to statutory reserve funds, until the funds reach at least one-third of the Parent's share capital. While it is the General Meeting that resolves how to use statutory reserve funds and capital reserves, a part of statutory reserve funds equal to one-third of the share capital may be used exclusively to cover a loss disclosed in separate financial statements and may not be used for any other purposes. The 2013 loss was covered from the statutory reserve funds, i.e. from the share premium account.

23.5. Non-controlling interests

	Dec 31 2014	Dec 31 2013
At beginning of period	**1,038**	**1,130**
- dividends paid by subsidiaries	-	(136)
- share in profit of subsidiaries	(90)	44
At end of period	**948**	**1 038**

23.6. Dividends paid and proposed

In the periods ended December 31st 2014 and December 31st 2013, the Parent did not pay dividend. No dividends are expected to be paid by the Company in 2015.

24. Income tax

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
Current income tax	8,567	386	1,310	269
Current income tax expense	8,567	386	1,310	269
Deferred income tax	(6,295)	(824)	4,716	156
Related to temporary differences and their reversal	(6,295)	(824)	4,716	156
Tax expense recognised in profit or loss	2,272	(438)	6,026	425

	Opening balance	Statement of profit or loss	Deferred tax related to purchase price allocation	Acquired through merger	Closing balance
Deferred tax	**Jan 1 2014**				**Dec 31 2014**
Deferred tax liability					
Property, plant and equipment	24,027	(1,311)	15,940	46,700	85,356
Intangible assets	-	4,933	11,020	-	15,953
Receivables	1,801	7	1,300	5,082	8,190
Cash	5	(594)	-	4	(585)
Borrowings	2,842	(48)	-	982	3,776
Lease receivables	712	(291)	-	-	421
Liabilities	2,725	370	(5,871)	5	(2,771)
Other	-	(332)	(51)	1,825	1,442
Gross deferred tax liability	**32,112**	**2,734**	**22,338**	**54,598**	**111,782**
Deferred tax asset					
Property, plant and equipment	1,587	(108)	-	711	2,190
Inventories	-	4	-	-	4
Receivables	(11)	101	-	251	341
Loans	(8)	2,448	-	795	3,235
Liabilities	2,125	6,517	-	20,537	29,179

Consolidated financial statements for the year ended December 31st 2014 (PLN '000)

Provisions	2,238	299	-	1,319	3,856
Lease assets	-	11	-	-	11
Retained deficit	5,304	1,023	-	3,816	10,143
Prepayments, accruals and deferrals	13,292	(1,266)	-	-	12,026
Gross deferred tax asset	**24,527**	**9,029**	**0**	**27,429**	**60,985**
Deferred tax expense		(6,295)			
Net deferred tax (asset)/liability	**7,585**		**22,338**	**27,169**	**50,797**

	Opening balance	Statement of profit or loss	Closing balance
Deferred income tax	**Jan 1 2013**		**Dec 31 2013**
Deferred tax liability			
Property, plant and equipment	21,501	2,526	24,027
Receivables	2,211	(410)	1,801
Cash	-	5	5
Borrowings	6,355	(3,513)	2,842
Lease receivables	-	712	712
Liabilities	1,956	769	2,725
Gross deferred tax liability	**32,023**	**89**	**32,112**
Deferred tax asset			
Property, plant and equipment	780	807	1,587
Receivables	94	(105)	(11)
Loans	184	(192)	(8)
Liabilities	1,509	616	2,125
Provisions	1,542	696	2,238
Retained deficit	5,919	(615)	5,304
Prepayments, accruals and deferrals	13,586	(294)	13,292
Gross deferred tax asset	**23,614**	**913**	**24,527**
Deferred tax expense		**(824)**	
Net deferred tax (asset)/liability	**8,409**		**7,585**

EFFECTIVE TAX RATE	**For period ended Dec 31 2014**	**For period ended Dec 31 2013**
Tax expense recognised in profit or loss, including:	2,272	(438)
Current tax	8,571	386
Deferred tax	(6,299)	(824)
Profit before tax	**33,527**	**5,476**
Tax at the effective rate of 19% (2013: 19%)	6,370	1,040
Non-tax deductible costs:	**(1,260)**	**2,859**
- permanent differences	(1,123)	365
-tax asset on account of tax losses in Special Economic Zone	207	984
-tax asset on account of other tax losses	949	164
-increase in deffered tax asset (on tax losses)	-	1,346
-effect of the purchase price allocation	(1,293)	-
Non-taxable income:	**2,838**	**4,337**
-deferred tax liability on income of limited joint-stock partnerships (SKA)	2,838	4,337
Tax recognised in profit or loss	**2,272**	**(438)**

25. Provisions

Non-current provisions	Dec 31 2014	Dec 31 2013
- provision for retirement and similar benefits	879	48
- provision for site restoration	1,166	596
Total non-current provisions	**2,045**	**644**

Current provisions		
- provision for retirement and similar benefits	17	17
- provision for accrued holiday entitlements	2,446	1,474
- provision for litigations and grid losses	607	-
Total current provisions	**3,070**	**1,491**

Change in non-current and current provisions

	Dec 31 2014	Dec 31 2013
Provisions at beginning of period	**2,135**	**1,841**
- provisions recognised	3,344	376
- provisions released	(183)	(82)
-provisions used	(181)	-
Provisions at end of period	**5,115**	**2,135**

26. Non-current liabilities under bank and other borrowings

Dec 31 2014

Non-current liabilities under bank and other borrowings totalled PLN 695,168 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	35,656	8,443	payable in instalments, final instalment payable on Dec 31 2021

Security	Value	Details
Ceiling mortgage over property	up to EUR 8,538.8 ths	Land and Mortgage Register No. KW 26887, District Court in Wejherowo, Land and Mortgage Division in Puck
Ceiling mortgages over properties	each up to EUR 4,269.4 ths	Land and Mortgage Register Nos. KW 7828, 256, 4142, 1324, 5631, 36968, District Court in Wejherowo, Land and Mortgage Division in Puck
Ceiling mortgage over properties	up to EUR 8,538.8 ths	Land and Mortgage Register Nos. KW 40971 and 40201, District Court in Wejherowo, Land and Mortgage Register Division in Puck
Registered pledge	up to EUR 33,525 ths	Lender's assets

Registered pledge	up to EUR 33,525 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to EUR 33,525 ths	Borrower's bank accounts
Power of attorney	-	Borrower's bank accounts
Assignment of claims	-	Existing and future project agreements, insurance agreements
Funds blocked	PLN 3,000 ths	Special-purpose reserve account
Representation on submission to enforcement	up to EUR 33,525 ths	Issued by the Borrower under credit facility agreement
Surety	PLN 6,338	Issued by Polenergia S.A., together with representation on submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp.z o.o.	11,810	PLN	2,546	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018

Security	Value	Details
Mortgage over property	up to PLN 23,620 ths	Land and Mortgage Register No. KW 64864, District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43,020 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to PLN 43,020 ths	Collection of movables and rights of the Borrower
Financial pledge	up to PLN 23,620 ths	Shares in the Borrower held by Polenergia S.A.
Financial pledge	up to PLN 23,620 ths	Borrower's cash
Assignment of claims	-	Existing and future project agreements
Subordination of claims	-	Subordination of Polenergia S.A.'s claims to Lender's claims
Surety	up to PLN 11,500 ths	Issued by Polenergia S.A., together with representation on submission to enforcement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by the Borrower under registered and financial pledge agreements
Representation on submission to enforcement	up to PLN 23,620 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by Polenergia S.A. under agreement on pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	7,643	PLN	repayable in monthly instalments, final instalment payable on Sep 30 2022

Security	Value	Details
Mortgage over property	up to 150% of the facility amount	Land and Mortgage Register No. KW ZA1Z/00117651/7
Assignment of claims	-	Policy for construction insurance and insurance of property after completing construction
Assignment of claims	debt under credit facility	Pellets sale agreement
Registered pledge	min. PLN 8,392 ths	Future assets – items of property, plant and equipment
Registered pledge	PLN 22,284 ths	Shares in the Borrower held by Polish Energy Partners
Power of attorney	-	Borrower's bank accounts
Representation on submission to enforcement	PLN 22,284 ths	

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
CONSORTIUM OF BANKS	Warsaw	Amon Sp.o.o.	168,493	PLN	128,396	PLN	repayable in quarterly instalments by Dec 31 2026

Security	Value	Details
Registered pledge	up to PLN 312,739.5 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to PLN 312,739.5 ths	Shares in Talia Sp. z o.o. held by Polenergia S.A.
Registered pledge	up to PLN 312,739.5 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 312,739.5 ths	Collection of movables and rights of Talia Sp. z o.o.
Registered pledge	up to PLN 312,739.5 ths	Borrower's bank accounts
Registered pledge	up to PLN 312,739.5 ths	Bank accounts of Talia Sp. z o.o.
Financial pledge	up to PLN 252,739.50 ths	Shares in the Borrower held by Polenergia S.A.
Financial pledge	up to PLN 252,739.50 ths	Shares in Talia Sp. z o.o. held by Polenergia S.A.
Financial pledge	up to PLN 252,739.50 ths	Borrower's bank accounts
Financial pledge	up to PLN 252,739.50 ths	Bank accounts of Talia Sp. z o.o.
Contingent assignment of claims	-	Existing and future lease agreements – if an event of default occurs
Contingent assignment of claims	-	Turbine supply and maintenance contract – if an event of default occurs
Contingent assignment of claims	-	Existing and future project agreements – if an event of default occurs
Contingent assignment of claims	-	Existing and future Talia project agreements – if an event of default occurs
Surety	up to PLN 312,739.5 ths	Issued by Talia
Surety	PLN 6,758 ths	Issued by Polenergia S.A., together with representation on submission to enforcement
Sponsor Support Agreement	up to 10% of the project costs	Coverage of cost overruns by Polenergia S.A.
Representation on submission to enforcement	up to PLN 252,739.50 ths	
Subordination of claims	-	Subordination of Polenergia S.A.'s claims to Lenders' claims

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o	111,627	PLN	81,184	PLN	repayable in quarterly instalments by Dec 31 2026

Security	Value	Details
Registered pledge	up to PLN 227,440.5 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to PLN 227,440.5 ths	Shares in Amon Sp. z o.o. held by Polenergia S.A.
Registered pledge	up to PLN 227,440.5 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 227,440.5 ths	Collection of movables and rights of Amon Sp. z o.o.
Registered pledge	up to PLN 227,440.5 ths	Borrower's bank accounts
Registered pledge	up to PLN 227,440.5 ths	Bank accounts of Amon Sp. z o.o.
Financial pledge	up to PLN 167,440.4 ths	Shares in the Borrower held by Polenergia S.A.
Financial pledge	up to PLN 167,440.4 ths	Shares in Amon Sp. z o.o. held by Polenergia S.A.
Financial pledge	up to PLN 167,440.4 ths	Borrower's bank accounts
Financial pledge	up to PLN 167,440.4 ths	Bank accounts of Amon Sp. z o.o.
Contingent assignment of claims	-	Existing and future lease agreements – if an event of default occurs
Contingent assignment of claims	-	Turbine supply and maintenance contract – if an event of default occurs
Contingent assignment of claims	-	Existing and future project agreements – if an event of default occurs
Contingent assignment of claims	-	Existing and future Amon project agreements – if an event of default occurs
Surety	up to PLN 227,440.5 ths	Issued by Amon
Surety	PLN 6,758 ths	Issued by Polenergia S.A., together with representation on submission to enforcement
Sponsor Support Agreement	up to 10% of the project costs	Coverage of cost overruns by Polenergia S.A.
Representation on submission to enforcement	up to PLN 167,440.4 ths	
Subordination of claims	-	Subordination of Polenergia S.A.'s claims to Lenders' claims

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	132,324	PLN	repayable in quarterly instalments by Sep 29 2028

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Grupa PEP Farma Wiatrowa 4 Sp. z o.o.	271,400	PLN	69,127	PLN	repayable in quarterly instalments by Jun

							29 2029

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	82,997	PLN	repayable in quarterly instalments by Sep 29 2028

The instruments specified in the following table serve as common security for Grupa PEP Farma Wiatrowa 1 Sp. z o.o.'s, Grupa PEP Farma Wiatrowa 4 Sp. z o.o.'s and Grupa PEP Farma Wiatrowa 6 Sp. z o.o.'s credit facilities listed above.

Security	Value	Details
Mortgage over property	up to PLN 644,000 ths	Plot No. 79/2 in cadastral district Radzyń Wybudowanie, covered by Land and Mortgage Register No. KW TO1W/00036025/4, District Court in Chełmno,9th Land and Mortgage Register Division in Wąbrzeźno
Registered pledge	up to PLN 644,000 ths	Shares in the Borrowers held by Polenergia S.A.
Registered pledge	up to PLN 644,000 ths	Collection of movables and rights of the Borrowers
Registered pledge	up to PLN 644,000 ths	Wind turbines owned by the Borrowers
Registered pledge	up to PLN 644,000 ths	Borrowers' bank accounts
Financial pledge	up to PLN 644,000 ths	Shares in the Borrowers held by Polenergia S.A.
Financial pledge	up to PLN 644,000 ths	Borrowers' bank accounts
Assignment of claims	-	Existing and future project agreements, insurance agreements
Equity contribution and sponsor support agreement		
Equity contribution subordination agreement		
Representation on submission to enforcement	up to PLN 644,000 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 644,000 ths	Issued by Polenergia S.A. under credit facility agreement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Nowa Sarzyna	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	123,142	PLN	repayable in quarterly instalments by Apr 2019

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Nowa Sarzyna	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	2,430	PLN	repayable in quarterly instalments by Jul 2018

The instruments specified in the following table serve as common security for Elektrownia Nowa Sarzyna Sp. z o.o.'s credit facilities listed above.

Security	Value	Details
Mortgage over property	up to PLN 482,000 ths	Contractual mortgage over perpetual usufruct of land and a piece of plant and equipment subject to a separate ownership title
Registered pledge	up to PLN 482,000 ths	Shares in the Borrower held by Neutron Sp. z o.o.
Registered pledge	up to PLN 482,000 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 482,000 ths	Borrowers' bank accounts
Financial pledge	up to PLN 482,000 ths	Shares in the Borrower held by Neutron Sp. z o.o.
Financial pledge	up to PLN 482,000 ths	Borrower's bank accounts
Representation on submission to enforcement	up to PLN 482,000 ths	Issued by the Borrower under credit facility agreement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Warsaw	Polenergia Dystrybucja S.A.	32,000	PLN	29,728	PLN	repayable in quarterly instalments by Nov 20 2018

Security	Value	Details
Registered pledge	up to PLN 60,000 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to PLN 60,000 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 60,000 ths	Borrowers' bank accounts
Financial pledge	up to PLN 60,000 ths	Borrower's bank accounts
Representation on submission to enforcement	up to PLN 60,000 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 60,000 ths	Issued by Polenergia S.A. under pledge over shares

Dec 31 2013

Non-current liabilities under bank and other borrowings totalled PLN 275,511 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	44,144	10,738	repayable in instalments, final instalment payable on Dec 31 2021

Security	Value	Details
Ceiling mortgage over property	up to EUR 8,538.8 ths	Land and Mortgage Register No. KW 26887, District Court in Wejherowo, Land and Mortgage Register Division in Puck
Ceiling mortgages over properties	each up to EUR 4,269.4 ths	Land and Mortgage Register Nos. KW 7828, 256, 4142, 1324, 5631, 36968, District Court in Wejherowo, Land and Mortgage Register Division in Puck

Ceiling mortgage over properties	up to EUR 8,538.8 ths	Land and Mortgage Register Nos. KW 40971 and 40201, District Court in Wejherowo, Land and Mortgage Register Division in Puck
Registered pledge	up to EUR 33,525 ths	Lender's assets
Registered pledge	up to EUR 33,525 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to EUR 33,525 ths	Borrower's bank accounts
Power of attorney	-	Borrower's bank accounts
Assignment of claims	-	Existing and future project agreements, insurance agreements
Funds blocked	at least three instalments, with interest	Special-purpose reserve account
Representation on submission to enforcement	up to EUR 33,525 ths	Issued by the Borrower under credit facility agreement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	3,395	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018

Security	Value	Details
Mortgage over property	up to PLN 23,620 ths	Land and Mortgage Register No. KW 64864, District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43,020 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to PLN 43,020 ths	Collection of movables and rights of the Borrower
Financial pledge	up to PLN 23,620 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Financial pledge	up to PLN 23,620 ths	Borrower's cash
Assignment of claims	-	Existing and future project agreements
Subordination of claims	-	Subordination of Polish Energy Partners S.A.'s claims to Lender's claims
Surety	up to PLN 26,888 ths	Issued by Polish Energy Partners S.A., together with representation on submission to enforcement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by the Borrower under registered and financial pledge agreements
Representation on submission to enforcement	up to PLN 23,620 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by Polish Energy Partners S.A. under agreement on pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168,493	PLN	138,657	PLN	repayable in quarterly instalments by Dec 31 2026

Security	Value	Details
Registered pledge	up to PLN 312,739.5 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to PLN 312,739.5 ths	Shares in Talia Sp. z o.o. held by Polish Energy Partners S.A.
Registered pledge	up to PLN 312,739.5 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 312,739.5 ths	Collection of movables and rights of Talia Sp. z o.o.
Registered pledge	up to PLN 312,739.5 ths	Borrower's bank accounts
Registered pledge	up to PLN 312,739.5 ths	Bank accounts of Talia Sp. z o.o.
Financial pledge	up to PLN 252,739.50 ths	Polish Energy Partners S.A.'s shares in the Borrower
Financial pledge	up to PLN 252,739.50 ths	Shares in Talia Sp. z o.o. held by Polish Energy Partners S.A.
Financial pledge	up to PLN 252,739.50 ths	Borrower's bank accounts
Financial pledge	up to PLN 252,739.50 ths	Bank accounts of Talia Sp. z o.o.
Contingent assignment of claims	-	Existing and future lease agreements – if an event of default occurs
Contingent assignment of claims	-	Turbine supply and maintenance contract – if an event of default occurs
Contingent assignment of claims	-	Existing and future project agreements – if an event of default occurs
Contingent assignment of claims	-	Existing and future Talia project agreements – if an event of default occurs
Surety	up to PLN 312,739.5 ths	Issued by Talia
Sponsor Support Agreement	up to 10% of the project costs	Coverage of cost overruns by Polish Energy Partners S.A.
Representation on submission to enforcement	up to PLN 252,739.50 ths	
Subordination of claims	-	Subordination of Polish Energy Partners S.A.'s claims to Lenders' claims

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111,627	PLN	88,626	PLN	repayable in quarterly instalments by Dec 31 2026

Security	Value	Details
Registered pledge	up to PLN 227,440.5 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to PLN 227,440.5 ths	Shares in Amon Sp. z o.o. held by Polish Energy Partners S.A.
Registered pledge	up to PLN 227,440.5 ths	Collection of movables and rights of the Borrower
Registered pledge	up to PLN 227,440.5 ths	Collection of movables and rights of Amon Sp. z o.o.
Registered pledge	up to PLN 227,440.5 ths	Borrower's bank accounts
Registered pledge	up to PLN 227,440.5 ths	Bank accounts of Amon Sp. z o.o.
Financial pledge	up to PLN 167,440.4 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Financial pledge	up to PLN 167,440.4 ths	Shares in Amon Sp. z o.o. held by Polish Energy Partners S.A.
Financial pledge	up to PLN 167,440.4 ths	Borrower's bank accounts
Financial pledge	up to PLN 167,440.4 ths	Bank accounts of Amon Sp. z o.o.
Contingent assignment of claims	-	Existing and future lease agreements – if an event of default occurs
Contingent assignment of claims	-	Turbine supply and maintenance contract – if an event of default occurs
Contingent assignment of claims	-	Existing and future project agreements – if an event of default occurs
Contingent assignment of claims	-	Existing and future Amon project agreements – if an event of default occurs
Surety	up to PLN 227,440.5 ths	Issued by Amon
Sponsor Support Agreement	up to 10% of the project costs	Coverage of cost overruns by Polish Energy Partners S.A.
Representation on submission to enforcement	up to PLN 167,440.4 ths	
Subordination of claims	-	Subordination of Polish Energy Partners S.A.'s claims to Lenders' claims

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9,000	PLN	184	PLN	repayable in monthly instalments, final instalment payable on Feb 26 2015

Security	Value	Details
Ordinary mortgage over property	PLN 9,000 ths	Security for repayment of credit facility
Ceiling mortgage over property	PLN 1,500 ths	Security for repayment of interest on credit facility
Registered pledge	up to PLN 10,500 ths	Rights held by Polish Energy Partners S.A. in the Borrower
Registered pledge	up to PLN 10,500 ths	Rights held by PP-U and P Comax Sp. z o.o. in the Borrower
Registered pledge	up to PLN 10,500 ths	Rights held by Mercury Energia Sp. z o.o. in the Borrower
Registered pledge	up to PLN 13,500 ths	Collection of movables and rights of the Borrower
Assignment of claims	-	Existing and future project agreements
Power of attorney	-	Borrower's bank accounts
Project support agreement	-	Between BRE Bank S.A., the Shareholders and the Borrower
Representation on submission to enforcement	up to PLN 13,500 ths	Issued by the Borrower under credit facility agreement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBOR	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	284	PLN	repayable in quarterly instalments by Sep 29 2028

Security	Value	Details
Mortgage over property	up to PLN 644,000 ths	Plot No. nr 79/2 in cadastral district Radzyń Wybudowanie, covered by Land and Mortgage Register No. KW TO1W/00036025/4, District Court in Chełmno, 9th Land and Mortgage Register Division in Wąbrzeźno
Registered pledge	up to PLN 644,000 ths	Wind turbines owned by the Borrower
Registered pledge	up to PLN 644,000 ths	Borrower's assets
Registered and financial pledge	up to PLN 644,000 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered and financial pledge	up to PLN 644,000 ths	Borrower's bank accounts
Power of attorney	-	Borrower's bank accounts
Assignment of claims	-	Existing and future project agreements, insurance agreements

Representation on submission to enforcement	up to PLN 644,000 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 644,000 ths	Issued by Polish Energy Partners S.A. under credit facility agreement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	221	PLN	repayable in quarterly instalments by Sep 29 2028

Security	Value	Details
- Mortgage over property	up to PLN 644,000 ths	Plot No. nr 79/2 in cadastral district Radzyń Wybudowanie, covered by Land and Mortgage Register No. KW TO1W/00036025/4, District Court in Chełmno, 9th Land and Mortgage Register Division in Wąbrzeźno
Registered pledge	up to PLN 644,000 ths	Wind turbines owned by the Borrower
Registered pledge	up to PLN 644,000 ths	Borrower's assets
Registered and financial pledge	up to PLN 644,000 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered and financial pledge	up to PLN 644,000 ths	Borrower's bank accounts
Power of attorney	-	Borrower's bank accounts
Assignment of claims	-	Existing and future project agreements, insurance agreements
Representation on submission to enforcement	up to PLN 644,000 ths	Issued by the Borrower under a credit facility agreement
Representation on submission to enforcement	up to PLN 644,000 ths	Issued by Polish Energy Partners S.A. under credit facility agreement

27. Current liabilities

	Dec 31 2014	Dec 31 2013
– bank and other borrowings	91,993	46,742
– trade payables	128,487	14,801
- to related entities	920	3
– to other entities, including:	127,567	14,798
– investment commitments	22,282	1,297
– income tax payable	1,064	3
– other liabilities	285,357	5,871
- to the state budget	4,295	3,796
– other financial liabilities	509	276
- valuation of forward contracts*)	100,987	-
– liabilities under promissory notes	-	100
– salaries and wages	1,850	209
– special accounts	60	51
– currency risk hedging	-	1,090
- under settlement of long-term contracts	130,019	-
- other	47,637	349
Current liabilities, total	**506,901**	**67,417**

*) For more information on the valuation of forward contracts, see Note 21.

Trade payables do not bear interest and are typically payable within 14 days.

Other liabilities do not bear interest.

28. Current liabilities under bank and other borrowings

Dec 31 2014

Current liabilities under bank and other borrowings totalled PLN 91,933 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp .z o.o.	21,600	EUR	6,029	1,428	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Mar 27 2015

Security	Value	Details
Registered pledge	up to PLN 7,500 ths	Shares in the Borrower held by Polenergia S.A.
Registered pledge	up to PLN 7,500 ths	Shares in the Borrower held by Grupa PEP – Uprawy Energetyczne Sp. z o.o.
Registered pledge	up to PLN 14,250 ths	Borrower's assets
Assignment of claims	-	Under insurance policies, rental contracts, sale contracts
Surety	up to PLN 7,500 ths	Issued by Polenergia S.A., together with representation on submission to enforcement
Power of attorney		Borrower's bank accounts
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by the Borrower under registered pledge agreements
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by Polenergia S.A. under pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP– Biomasa Energetyczna Południe Sp. z o.o.	5,600	PLN	3,670	PLN	by Dec 31 2015

Security	Value	Details
Mortgage over property	up to PLN 17,200 ths	Land and Mortgage Register No. KW 64864, District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43,020 ths	Shares in the Borrower held by Polenergia S.A.

Registered pledge	up to PLN 43,020 ths	Collection of movables and rights of the Borrower
Financial pledge	up to PLN 17,200 ths	Shares in the Borrower held by Polenergia S.A.
Financial pledge	up to PLN 17,200 ths	Borrower's cash
Assignment of claims	-	Existing and future project agreements
Subordination of claims	-	Subordination of Polenergia S.A.'s claims to Lender's claims
Surety	up to PLN 11,500 ths	Issued by Polenergia S.A., together with representation on submission to enforcement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by the Borrower under registered and financial pledge agreements
Representation on submission to enforcement	up to PLN 17,200 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by Polenergia S.A. under pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	849	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168,493	PLN	6,260	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp.z o.o.	111,627	PLN	3,996	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	4,209	PLN	one-off repayment by Mar 31 2016

Security	Value	Details
Mortgage over property	up to 150% of the facility amount	Land and Mortgage Register No. KW ZA1Z/00117651/7
Assignment of claims	-	Policy for construction insurance and insurance of property after completing construction
Assignment of claims	-	Inventory insurance policy
Registered pledge	PLN 9,000 ths	Inventories
Power of attorney	-	Borrower's bank accounts
Representation on submission to enforcement	PLN 9,000 ths	

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	833	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o	31,500	PLN	6,689	PLN	one-off repayment by Nov 28 2015

Security	Value	Details
Registered and financial pledge	up to PLN 84,000 ths	Borrower's VAT account
Power of attorney	-	Borrower's VAT account

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	2,911	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
BOŚ Bank S.A.	Warsaw	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	25,000	PLN	1,059	PLN	one-off repayment by Jul 29 2016

Security	Value	Details
Registered and financial pledge	up to PLN 50,000 ths	Borrower's VAT account

Power of attorney	-	Borrower's VAT account
Representation on submission to enforcement	up to PLN 50,000 ths	
Power of attorney	-	Borrower's VAT account

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	24,500	PLN	4,209	PLN	one-off repayment by Nov 28 2015

Security	Value	Details
Registered and financial pledge	up to PLN 84,000 ths	Borrower's VAT account
Power of attorney	-	Borrower's VAT account

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	1,814	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	55,000	PLN	1,800	PLN	one-off repayment by Jul 29 2017

Common security with investment credit facility, presented in note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	523,000	PLN	37,891	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	881	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Polenergia Kogeneracja Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Jan 31 2016

Security	Value	Details
Assignment of claims	-	Project agreements

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Obrót S.A.	20,000	PLN	7,479	PLN	one-off repayment by Jan 31 2016

The instruments specified in the following table serve as common security for the above credit facility and a guarantee facility.

Security	Value	Details
Surety	up to PLN 120,000 ths	Issued by Kulczyk Holding
Power of attorney	-	Borrower's VAT account
Representation on submission to enforcement	up to PLN 50,000 ths	
Power of attorney	-	Borrower's VAT account

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Polenergia Dystrybucja S.A.	32,000	PLN	1,449	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING BANK ŚLĄSKI S.A.	Warsaw	Polenergia Dystrybucja S.A.	8,000	PLN	0	PLN	long-term facility portion repayable in less than 12 months

Common security with investment credit facility, presented in note 'Non-current liabilities'.

Dec 31 2013

Current liabilities under bank and other borrowings totalled PLN 46,742 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	5,856	1,426	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9,000	PLN	1,110	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Mar 27 2014

Security	Value	Details
Registered pledge	up to PLN 14,250 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to PLN 14,250 ths	Borrower's assets
Assignment of claims	-	Under insurance policies, rental contracts, sale contracts
Surety	up to PLN 7,500 ths	Issued by Polish Energy Partners S.A., together with representation on submission to enforcement
Power of attorney		Borrower's bank accounts
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by the Borrower under registered pledge agreements
Representation on submission to enforcement	up to PLN 7,500 ths	Issued by Polish Energy Partners S.A. under pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o	8,600	PLN	7,600	PLN	by Dec 31 2013

Security	Value	Details
Mortgage over property	up to PLN 17,200 ths	Land and Mortgage Register No. KW 64864, District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43,020 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Registered pledge	up to PLN 43,020 ths	Collection of movables and rights of the Borrower
Financial pledge	up to PLN 17,200 ths	Shares in the Borrower held by Polish Energy Partners S.A.
Financial pledge	up to PLN 17,200 ths	Borrower's cash
Assignment of claims	-	Existing and future project agreements
Subordination of claims	-	Subordination of Polish Energy Partners S.A.'s claims to Lender's claims
Surety	up to PLN 26,888 ths	Issued by Polish Energy Partners S.A., together with representation on submission to enforcement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by the Borrower under registered and financial pledge agreements
Representation on submission to enforcement	up to PLN 17,200 ths	Issued by the Borrower under credit facility agreement
Representation on submission to enforcement	up to PLN 43,020 ths	Issued by Polish Energy Partners S.A. under pledge over shares in the Borrower

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	849	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o	168,493	PLN	4,716	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111,627	PLN	2,703	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	5,506	PLN	one-off repayment by Jan 31 2014

Security	Value	Details
Mortgage over property	up to 150% of the facility amount	Land and Mortgage Register No. KW ZA1Z/00117651/7
Assignment of claims	-	Policy for construction insurance and insurance of property after completing construction
Assignment of claims	-	Inventory insurance policy
Registered pledge	PLN 9,000 ths	Inventories
Power of attorney	-	Borrower's bank accounts
Representation on submission to enforcement	PLN 9,000	Valid until Feb 28 2016

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date	
			'000	currency	'000	currency		
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	13,327	PLN	repayable in monthly instalments by Sep 30 2022	BIOMASA WSCH INV

Security	Value	Details
Mortgage over property	up to 150% of the facility amount	Land and Mortgage Register No. KW ZA1Z/00117651/7
Assignment of claims	-	Policy for construction insurance and insurance of property after completing construction
Assignment of claims	Debt under credit facility	Pellets sale agreement
Registered pledge	min. PLN 8,392 ths	Future assets - items of property, plant and equipment
Registered pledge	PLN 22,284 ths	Shares in the Borrower held by Polish Energy Partners S.A. shares
Power of attorney	-	Borrower's bank accounts
Representation on submission to enforcement	PLN 22,284 ths	

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP– Farma Wiatrowa 1 Sp. z o.o.	31,500	PLN	3,399	PLN	one-off repayment by Nov 28 2015

Security	Value	Details
Registered and financial pledge	up to PLN 84,000 ths	Borrower's VAT account
Power of attorney	-	Borrower's VAT account

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	24,500	PLN	1,676	PLN	one-off repayment by Nov 28 2015

Security	Value	Details
Registered and financial pledge	up to PLN 84,000 ths	Borrower's VAT account
Power of attorney	-	Borrower's VAT account

29. Accruals and deferred income

	Dec 31 2014	Dec 31 2013
Non-current accruals and deferred income		
- deferred income – grants	67,439	71,717
Total non-current accruals and deferred income	**67,439**	**71,717**

Current accruals and deferred income

	Dec 31 2014	Dec 31 2013
- future bonuses, salaries and wages	8,487	2,270
- services	3,896	1,192
- unused holiday entitlements	421	-
- deferred income – grants	4,075	4,074
- liabilities	-	723
- expenditure on property, plant and equipment	,5,10	-
- other	1,470	992
Total current accruals and deferred income	**23,455**	**9,251**

The Group has received three grants. The first grant of PLN 5,900 thousand was given in 2005 as additional funding for the "22 MW Puck wind power plant" project. The power plant was launched at the end of 2006, and the grant amount recognised as deferred income is written off over the power plant's useful life.

The second grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Łukaszów wind farm construction" project. As at December 31st 2014, the Group received PLN 39,887 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life.

The third grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Modlikowice wind farm construction" project. As at December 31st 2014, the Group received PLN 39,771 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life

30. Contingent liabilities

30.1. Guarantees and sureties issued

As at December 31st 2014, the Group did not issue any external guarantees.

30.2. Litigations

Due to the nature of the Company's business (supply of electricity to end customers), the Company's subsidiary Polenergia Dystrybucja Sp. z o.o. is enforcing claims against a number of customers in relation to sale and distribution of electricity, for a total amount of approximately PLN 850,000 thousand.

The Company's subsidiary Polenergia Obrót S.A. has secured an enforceable title against one customer for the amount of PLN 5,000 thousand, with respect to which the enforcement proceedings are pending. The above amount is not reflected in the Company's profit and loss account.

30.3. Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Group companies. In the Group's opinion, as at December 31st 2014 provisions created by the Group for identified and calculable tax risk were sufficient.

30.4. Capital expenditure

As at December 31st 2014, total expenditure on property, plant and equipment planned to be incurred by the Group in 2015 was estimated at PLN 960m, with relevant contracts already concluded for PLN 280.2m of this amount. The funds will be allocated primarily for the purchase of new machinery and equipment to be used in projects under construction, in particular for the purpose of financing: wind farm construction, development and commencement of construction work as part of new wind farm projects, and the development of projects contributed with the Neutron Group's assets.

30.5. Contractual obligations

ENS Sp. z o.o., a subsidiary:

On March 20th 1998, ENS Sp. z o.o. entered into a long-term agreement with PGNiG S.A. under which it is obliged to order contractual gas volumes of no less than 180m m3 annually and no more than 210m m3 annually. In each contractual year, the Company is required to pay for the minimum annual gas volume, equal to 90% of the ordered annual gas volume. The agreement expires on December 24th 2019.

Electricity sale agreement with Mercuria Energy Trading Sp. z o.o. (MET) of March 21st 2008 provides for electricity sales volume of no less than 754,000 MWh annually as of 2010, including no less than 360,000 MWh in the summer period. In accordance with Annex 4 of April 12th 2011, the agreement expires on December 31st 2015 (the Annex provides for the option of its extension for further three full calendar years).

Under a heat sale agreement of March 25th 1998, the Company agreed to supply heat to Zakłady Chemiczne Organika-Sarzyna S.A. In the event of the Company's failure to supply the agreed heat volumes, the Company is required to compensate for losses incurred and documented by the customer, up to USD 2m. In accordance with the agreement, amended under Annex 6 of December 27th 2012 and Annex 7 of October 9th 2013, in the periods covered by these financial statements the Company was obliged to supply, and Zakłady Chemiczne Organika-Sarzyna S.A. was obliged to collect (Minimum Required Purchase Volume) the following heat volumes:

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- 2011: 560,000 GJ,
- 2012: 530,000 GJ,
- from 2013, in each subsequent contractual year: 460,000 GJ.

On October 30th 2013, the Company renewed the heat supply agreement with Zakład Gospodarki Komunalnej Nowa Sarzyna Sp. z o.o. The agreement expires on June 3rd 2020. Under the agreement, in each contractual year, the customer is obliged to collect and pay for, and the supplier is obliged to supply, at least 55,000 GJ of heat (Minimum Required Purchase Volume). Additionally, in no contractual year is the supplier (the Company) obliged to supply more than 120,000 GJ of heat (Maximum Required Supply Volume).

31. Revenue

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- revenue from sale of electricity	696,555	33,422	524,755	10,317
- revenue from sale of heat	18,001	5,531	12,805	1,520
- revenue from consulting and advisory services	903	615	68	(886)
- income from reinvoicing and reimbursement of expenses	20	16	5	3
- income from lease and operator services	5	1,403	-	1,403
- revenue from sale of merchandise	8,107	3,577	1,275	897
- revenue from sale of straw	-	71	-	-
- revenue from sale of pellets	58,686	55,604	14,872	15,689
- rental income	44	-	31	-
- income from compensation for stranded costs and cost of gas	59,580	-	42,581	-
- net revenue from sale of gas	19,287	-	14,021	-
- other	3,945	488	3,606	55
Total revenue	**865,133**	**100,727**	**614,019**	**28,998**

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- revenue from certificates of origin	68,085	38,655	30,813	12,170
- revenue from carbon dioxide emission allowances	1,295	-	145	
- revenue from reduced CO_2 emissions (Joint Implementation Mechanism)	-	92	-	-
Total revenue from certificates of origin	69,380	38,747	30,958	12,170

REVENUE BY COUNTRY

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- Poland	821,771	139,474	622,108	41,168
-Czech Republic	68,450	-	12,467	-
-Luxembourg	1,787	-	76	-
- Germany	33,122	-	4,887	-
-Switzerland	1,005	-	1,005	-
- Hungary	1,295	-	1,150	-
-United Kingdom	7,083	-	3,284	-
Total revenue	**934,513**	**139,474**	**644,977**	**41,168**

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32. Expenses, by nature of expense

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- depreciation and amortisation expense	50,036	29,125	23,727	7,172
- raw materials and consumables used	119,675	44,070	68,795	10,883
- services	33,164	25,395	13,334	8,029
- taxes and charges	6,462	3,786	1,953	1,092
- salaries and wages	23,436	11,743	10,978	2,479
- social security and other benefits	3,043	1,737	1,593	432
- other expenses, by nature of expense	1,408	412	920	161
Total expenses by nature	**237,224**	**116,268**	**121,300**	**30,248**
- cost of merchandise and materials sold (+)	639,345	4,373	488,720	999
- distribution costs (-)	(362)	-	(295)	-
- administrative expenses (-)	(19,500)	(12,029)	(8,699)	(3,123)
Cost of products sold	**856,707**	**108,612**	**601,026**	**28,124**

33. Other income

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- reversal of impairment losses and write-downs, including:	573	-	-	-
- inventory write-downs	573	-	-	-
- other, including:	5,299	4,891	1,622	1,133
- compensations and additional charges	626	544	442	48
- settlement of grants	4,278	4,233	1,070	1,069
- gain on disposal of non-financial non-current assets	190	1	12	1
- other	205	113	98	15
Total other income	**5,872**	**4,891**	**1,622**	**1,133**

34. Other expenses

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- impairment losses and write-downs, including:	3,708	6,474	3,677	5,623
- impairment losses on receivables	1,456	965	1,433	965
- inventory write-downs	906	4,099	898	3,248
- impairment losses on property, plant and equipment	1,346	1,410	1,346	1,410
- other, including:	4,684	1,454	2,742	(13)
- penalties, fines, compensation	462	38	85	(86)
- assigned compensation	398	-	398	-
- other costs of wind farm development	717	831	34	209
- loss on disposal of non-financial non-current assets	115	-	115	-
- other	2,992	585	2,110	(136)
Total other expenses	**8,392**	**7,928**	**6,419**	**5,610**

Impairment losses on receivables in 2014 in the amount of PLN 1,456 thousand are related to trade receivables from energy distribution and trading.

Impairment losses on receivables in 2013 in the amount of PLN 965 thousand are related to receivables in the biomass segment.

Inventory write-downs in 2013 in the amount of PLN 1,289 thousand and PLN 2,790 thousand are related to a wind farm development project and undergrade straw, respectively.

Impairment losses on property, plant and equipment in 2014 in the amount of PLN 344 thousand and PLN 1,002 thousand are related to property, plant and equipment of Polenergia Kogeneracja Sp. z o.o. and a wind farm development project, respectively.

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Impairment losses on property, plant and equipment in 2013 in the amount of PLN 893 thousand are related to property, plant and equipment of Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o.

35. Finance income

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- income from interest on deposits and loans	6,609	8,102	3,482	1,533
- interest on finance leases	174	-	47	-
- foreign exchange gains, including:	56	138	49	1
- unrealised	50	-	49	-
- realised	6	138	-	1
- valuation of financial liabilities*)	126	5,023	59	-
- income from discount	641	2,102	165	153
- other charges under sureties	-	-	-	(29)
- other	6	36	5	34
Total finance income	**7,612**	**15,401**	**3,807**	**1,692**

*) Refers to bank borrowings measured at amortised cost.

36. Finance costs

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
- interest expense	23,274	22,517	8,578	5,102
- foreign exchange losses, including:	1,422	1,075	872	(784)
- unrealised	1,171	1,023	827	(694)
- realised	251	52	45	(90)
- fees and commissions	1,406	1,857	543	486
- impairment losses on shares	159	25	-	25
- valuation of financial liabilities	2,634	247	1,282	247
- other	614	-	452	(6)
Total finance costs	**29,509**	**25,721**	**11,727**	**5,070**

37. Adjusted EBITDA

	For period ended Dec 31 2014	For period ended Dec 31 2013	Q4 2014	Q4 2013
Operating profit	55,424	15,796	30,160	5,444
Depreciation and amortisation	50,036	29,125	23,727	7,172
EBITDA	**105,460**	**44,921**	**53,887**	**12,616**
Purchase price allocation:				
Intra-group long-term contracts	(6,800)	-	-	-
Valuation of long-term contracts	804	-	603	-
Adjusted EBITDA	**99,464**	**44,921**	**54,490**	**12,616**

EBITDA is the key measure of the Group's profit. The Group defines EBITDA as operating profit before depreciation and amortisation. Since EBITDA is not defined in IFRS, it may be calculated differently by other entities.

Operating profit, i.e.: gross profit/(loss) - administrative expenses + other income - other expenses

38. Cash flows

Cash flows from operating activities – other adjustments	For period ended Dec 31 2014	For period ended Dec 31 2013
- other	216	41
- reclassification of finance leases*)	421	3,869
Total other adjustments	**637**	**3,910**

*) Refers to the lease of a turbine for the Zakrzów CHP plant project; in 2012 it was presented under property, plant and equipment.

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Acquisition of intangible assets and property, plant and equipment	For period ended Dec 31 2014	For period ended Dec 31 2013
-acquisition of intangible assets and property, plant and equipment	465,129	100,593
-change in investment liabilities	(19,386)	(429)
-property, plant and equipment under construction, not invoiced	(5,181)	
-other	1,959	
Total	**442,521**	**100,164**

Restricted cash	For period ended Dec 31 2014	For period ended Dec 31 2013
-cash for credit facility repayments	16,472	15,894
-cash for the settlement of compensation for stranded costs	73,548	-
-cash for long- and medium-term overhauls	2,909	-
-other restricted cash	60	44
Total	**92,989**	**15,938**

Explanation of differences between changes in certain items in the statement of financial position and changes in the statement of cash flows

Inventories:	For period ended Dec 31 2014	For period ended Dec 31 2013
- change in inventories in the statement of financial position	78,771	17,595
- recognition of a wind farm development project under non-current assets	(95,484)	(11,584)
- inventories of the merged subsidiaries as at the merger date	13,326	-
- other	(134)	-
Change in inventories in the statement of cash flows	**(3,521)**	**6,011**

Liabilities:	For period ended Dec 31 2014	For period ended Dec 31 2013
- change in current and non-current receivables, net in the statement of financial position	(125,002)	72,338
- receivables of the merged subsidiaries as at the merger date	114,882	-
- change in investment receivables	172	-
- change in financial receivables	3,436	-
- change in other receivables	(1,084)	(90)
Change in receivables in the statement of cash flows	**(7,596)**	**72,248**

Liabilities:	For period ended Dec 31 2014	For period ended Dec 31 2013
- change in liabilities, net of borrowings, in the statement of financial position	435,887	(44,178)
- change in finance lease payables	733	384
- change in investment liabilities	(19,386)	(429)
- liabilities of the merged subsidiaries as at the merger date	(399,263)	-
- change in financial liabilities	(24,074)	(2,235)
Change in liabilities in the statement of cash flows	**(6,103)**	**(46,458)**

Accruals and deferrals:	For period ended Dec 31 2014	For period ended Dec 31 2013
- change in accruals and deferrals in the statement of financial position	8,625	(6,752)
- commissions on credit facilities	124	-
- grants	-	(4,387)
- accruals and deferrals of merged subsidiaries as at the merger date	(1,838)	-
- property, plant and equipment under construction, not invoiced	(5,181)	-
- costs transferred to equity	(11,568)	-
Change in accruals and deferrals in the statement of cash flows	**(9,838)**	**(11,139)**

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39. Objectives and policies of financial risk management

Apart from derivatives, the key financial instruments used by the Group include credit facilities, cash, and short-term deposits. The primary purpose of holding those financial instruments is to secure financial resources to finance the Group's operations. The Group also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

The Group enters into transactions involving derivative instruments, primarily forward contracts. The purpose of these transactions is to manage currency risk arising in the course of the Group's operations and resulting from the sources of financing it uses.

In accordance with a policy followed by the Group currently and throughout the reporting period, the Group does not trade in financial instruments.

The key risks connected with the Group's financial instruments are: interest rate risk, liquidity risk, currency risk, and credit risk. The Management Board verifies and establishes rules for managing each of these types of risk; the rules are briefly discussed below. The Group also monitors the risk of market prices with respect to the financial instruments it holds.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its non-current financial liabilities.

It is the Group's policy to manage its interest expense by using debt financing based on floating rates. The Group does not use derivative financial instruments to hedge interest rate risk.

The table below presents sensitivity of the Group's annual profit before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, assuming that other factors remain unchanged.

period ended Dec 31 2014	***Increase/decrease (percentage points)***	***Effect on profit/loss before tax in 2014***
1M WIBOR	1%	(6,026)
1M EURIBOR	1%	(421)
1M WIBOR	-1%	6,026
1M EURIBOR	-1%	421

period ended Dec 31 2013	***Increase/decrease (percentage points)***	***Effect on profit/loss before tax in 2013***
1M WIBOR	1%	(2,871)
1M EURIBOR	1%	(504)
1M WIBOR	-1%	2,871
1M EURIBOR	-1%	504

Currency risk

The Group's currency risk involves primarily the risk of changes in the euro exchange rate with respect to its open passivecurrency position under bank deposits, investment liabilities and investment credit facilities. As at December 31st 2014, the position was valued at EUR 9.8 thousand. This position is not hedged against changes in currency exchange rates.

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In negotiating the terms of hedging derivatives, the Group seeks to match those terms with the terms of the hedged position, thus ensuring the maximum effectiveness of hedging; for more detailed information, see Note 41.

The table below presents the sensitivity of the Group's profit/loss before tax (due to changes in the fair value of monetary assets and liabilities) to reasonably possible movements in the euro exchange rate, with all other factors unchanged.

	Exchange rate increase/decrease	*Effect on profit/loss*
Dec 31 2014 – EUR	+ 0.01 PLN/EUR	(99)
	- 0.01 PLN/EUR	99
Dec 31 2013 – EUR	+ 0.01 PLN/EUR	(117)
	- 0.01 PLN/EUR	117

In the year ended December 31st 2014, the Group incurred finance costs of PLN 1,121 thousand under unrealised exchange differences.

In the period December 31st 2014–March 31st 2015, movements in the PLN/EUR exchange rate may significantly affect the amount of unrealised exchange differences. The result obtained on unrealised exchange differences as at March 31st 2015 will mainly depend on the difference between PLN/EUR exchange rates on December 31st 2014 and March 31st 2015, with the appreciation/depreciation of the Polish złoty against the euro having a positive/negative effect on the net profit at a rate of ca. PLN 99 thousand for each PLN 0.01 of the difference relative to the exchange rate as at December 31st 2014 (PLN 4.2623/EUR).

Credit risk

The Group executes transactions only with reputable companies enjoying sound credit standing. Each customer who wishes to trade on credit terms is subject to credit verification procedures. Moreover, thanks to ongoing monitoring of receivable balances, the Group's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Group's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivative instruments, credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

The Group records no material concentration of credit risk.

Liquidity risk

The Group monitors the risk of its funds being insufficient to pay liabilities as they fall due using periodic liquidity planning. This planning takes into consideration maturities of both investments and financial assets (e.g. receivables, other financial assets) and forecast cash flows from operating activities.

The Group aims to balance financing continuity and flexibility by using different financing sources, including account overdrafts, credit facilities, finance lease agreements and lease agreements with a purchase option.

The table below presents the Group's financial liabilities by maturity as at December 31st 2014 and December 31st 2013, based on undiscounted contractual payments.

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Dec 31 2014	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	52,707	78,349	427,328	497,926	**1,056,310**
Other liabilities	284,834	605	43,000	-	**328,439**
Trade payables	128,484	-	3	-	**128,487**

Dec 31 2013	on demand	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	21,67	8,890	34,015	146,506	243,262	**454,351**
Other liabilities	-	5,357	517	364	-	**6,238**
Trade payables	-	14,801	-	-	-	**14,801**

40. Financial instruments

Fair values of individual financial instrument classes

The table below compares carrying amounts and fair values of all of the Group's financial instruments, by classes and categories of assets and liabilities.

	FAIR VALUE Category acc to IAS 39	Carrying amount Dec 31 2014	Carrying amount Dec 31 2013	Fair value Dec 31 2014	Fair value Dec 31 2013	Fair value hierarchy
Financial assets						
Forward contracts	AFV	115,081	-	-*)	-	Level 2
Non-current receivables – leases	R&L	4,269	3,453	-*)	-*)	
Trade and other receivables	R&L	109,042	23,526	-*)	-*)	
Cash and cash equivalents, including:	R&L	416,809	208,142	416,809	208,142	
- cash-flow hedges		-	1,145	-	1,145	
Financial liabilities						
Interest-bearing borrowings, including:	OFL	787,161	322,253	787,161	322,253	
- non-current, bearing interest at floating rates	OFL	695,168	275,511	695,168	275,511	
- other - current	OFL	91,993	46,742	91,993	46,742	
Other non-current liabilities, including:	AFV	43,082	367	-*)	-*)	
- SWAPs		9,804	-	-*)	-*)	Level 2
- long-term contract		30,900	-	-*)	-*)	Level 2
Trade and other payables, including:	OFL	413,844	14,801	-*)	-*)	
- forward contracts	AFV	101,555	-	-*)	-	Level 2
- cash-flow hedges		-	,1,09	-	*),1,0	

Acronyms used in the table:
AFV − At fair value through profit or loss
R&L − Receivables and loans
OFL − Other financial liabilities at amortised cost

*) The presented fair values of receivables and liabilities do not differ materially from their respective carrying amounts.

Level 2: The fair value is measured based on other inputs that are observable for the asset or liability, either directly or indirectly. As similar contracts are traded in an active market, the prices reflect results of actual transactions in similar derivative instruments.

Level 3: The valuation model is based on the present value of future payments, discounted using a discount rate reflecting risk. The expected payment is determined based on forecast EBITDA scenarios, amounts of expected payments for each scenario, and the probability of each scenario materialising.

Interest rate risk

The table below presents the carrying amounts of the Group's financial instruments exposed to the interest rate risk, by maturity.

Dec 31 2014

INTEREST RATE RISK

Floating-rate interest	*up to 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*over 5 years*	*Total*
PLN bank borrowings	85,963	66,648	68,578	95,689	45,154	383,447	745,479
EUR bank borrowings	6,030	6,030	6,307	7,355	7,692	8,268	41,682
Fixed-rate interest	*Up to 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*over 5 years*	*Total*
Cash assets	416,809	-	-	-	-	-	416,809
Finance leases	294	437	600	640	684	548	3,203

Dec 31 2013

INTEREST RATE RISK

Floating-rate interest	*Up to 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*over 5 years*	*Total*
PLN bank borrowings	41,391	11,346	12,211	13,467	14,800	179,039	272,254
EUR bank borrowings	5,856	5,865	5,865	6,135	7,155	19,124	50,000
Fixed-rate interest	*up to 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*over 5 years*	*Total*
Cash assets	208,142	-	-	-	-	-	208,142
Finance leases	266	563	600	640	684	699	3,452

Interest rates for financial instruments earning interest at floating rates are updated in periods of less than one year.

41. Hedging

Cash-flow hedges

As at December 31st 2014, the Group held the following hedging instruments for cash flow hedge accounting purposes:

Maturity date of the hedging instrument	Value of the hedge Currency purchase (EUR '000)	Hedging rate	Instrument
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	5,068.4	4.2686	Forward
May 29 2015	5,068.4	4.2795	Forward
May 29 2015	5,068.4	4.2795	Forward
Jun 30 2015	1,013.7	4.2861	Forward
Jun 30 2015	5,068.4	4.2861	Forward
Jun 30 2015	1,013.7	4.2861	Forward
Jul 31 2015	1,013.7	4.2915	Forward

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Jul 31 2015	1,013.7	4.2915	Forward
Jul 31 2015	1,013.7	4.2915	Forward
Aug 31 2015	1,013.7	4.2965	Forward
Aug 31 2015	1,013.7	4.2965	Forward
Sep 30 2015	1,013.7	4.3017	Forward
	32,438		

The main purpose of the hedging transactions is to mitigate the effect of exchange rate movements on the value of future highly probable foreign-currency payments under investment agreements.

Hedge accounting seeks to eliminate the risk of an accounting mismatch upon recognition of the hedging instrument's and the hedged item's effect on the entity's net profit or loss.

As at December 31st 2014, the Group recognised PLN 1,958 thousand in other comprehensive income (2013: PLN 2,235 thousand) being a component of equity, on account of the effective portion of the hedging instrument's fair value as at the reporting date. The result on the forward transaction settlement will be carried as property, plant and equipment under construction and will be charged to profit or loss throughout the depreciation period of ca. 20 years.

42. Capital management

The primary objective behind the Group's capital management is to maintain good credit rating and safe capital ratios, in order to support the Group's operations and build shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders, or issue new shares. In the years ended December 31st 2014 and December 31st 2013, there were no changes in the capital structure management objectives, policies and processes.

The Group monitors its capital position using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. The Group's net debt includes interest-bearing borrowings less lease receivables, cash and cash equivalents.

	Dec 31 2014	Dec 31 2013
Interest-bearing borrowings	787,161	322,253
Less cash and cash equivalents	(416,809)	(208,142)
Net debt	**370,352**	**114,111**
Equity	1,333,984	515,261
Total equity	**1,333,984**	**515,261**
Equity and net debt	**1,704,336**	**629,372**
Leverage ratio	22%	18%

43. Significant related-party transactions

As at December 31st 2014, the Group included the following associates:

- Geo Kletnia Sp. z o.o.

As at December 31st 2013, the Group did not include any associates.

As at December 31st 2014:

- PLN 0 of trade payables were attributable to Polenergia Usługi Sp. z o.o. (formerly Polenergia Sp. z o.o.) (2013: PLN 736 thousand)
- PLN 2 thousand of trade receivables were attributable to Polenergia Usługi Sp. z o.o. (formerly Polenergia Sp. z o.o.)
- PLN 79 thousand of trade receivables were attributable to Polenergia International S.a r.l.
- PLN 30 thousand of trade receivables were attributable to Polenergia International Biogaz Sp. z.o.o.
- PLN 51 thousand of trade receivables were attributable to Polenergia Holding S.a r.l.
- PLN 22 thousand of trade receivables were attributable to Polskie Biogazownie Energy Żorawina Sp. z o.o.
- PLN 21 thousand of trade receivables were attributable to Polskie Biogazownie S.A.
- PLN 65 thousand of trade payables were attributable to Polskie Biogazownie Energy Zalesie Sp. z o.o.
- PLN 26 thousand of trade payables were attributable to Polskie Biogazownie Żórawina Sp. z o.o.
- PLN 6,693 thousand of trade receivables and PLN 12,190 thousand of revenue were attributable to Zakłady Chemiczne Organika - Sarzyna S.A.

For information on transactions with members of the Parent's Management Board and Supervisory Board, see Note 46 and 47.

44. Compensation for stranded costs and cost of gas

Compensation for stranded costs

ENS Sp. z o.o. – a subsidiary − calculates stranded costs for the period April 2008 – May 2020 ("adjustment period") using formulas specified in Art. 30 and Art. 31 of the LTC Termination Act. The estimate is based on the following items:

- revised net carrying amount of power generating property, plant and equipment as at January 1st 2007,
- depreciation of power generating property, plant and equipment for the purposes of corporate income tax in the period January 1st 2007 − March 31st 2008,
- operating profit or loss in the adjustment period, calculated based on realised and forecast revenue from sale of electricity and operating expenses related to sales of electricity, adjusted for depreciation and amortisation for the purposes of corporate income tax,
- net carrying amount of power generating property, plant and equipment after the end of the adjustment period.

The maximum amount of stranded costs calculated as described above is allocated to individual years (including 2014) according to the Company's allocation method (based on operating profit or loss for a given year).

Due to the length of the period covered by the calculations, the estimated amounts may change; the amounts disclosed as at the end of the reporting period have been estimated based on the Company's best knowledge and data available on that date.

	For period ended Dec 31 2014
compensation for stranded costs, entered in the books	39,825

In 2014, the Company received the following payments as compensation for stranded costs from Zarządca Rozliczeń S.A.:

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	For period ended Dec 31 2014
prepayment for Q3 2014	29,436
adjustment to stranded costs for previous year	42,101
Total	**71,537**

Compensation for cost of gas

The amount of compensation for the cost of gas is estimated by the Company as the product of gross electricity generated by the Company in the period using gaseous fuel (less electricity used to generate heat), the difference between the Company's average cost of gas and the average cost of coal in coal-fired centrally dispatched generating units, and the adjustment coefficient referred to in the LTC Termination Act.

	For period ended Dec 31 2014
compensation for cost of gas, entered in the books	19,755

In 2014, the Company received the following payments as compensation for cost of gas from Zarządca Rozliczeń S.A.:

	For period ended Dec 31 2014
prepayment for Q3 2014	11,523
annual adjustment to cost of gas for previous year	12,958
Total	**24,481**

45. Workforce

Set out below is the Group's workforce (FTEs) by type of position as at December 31st 2014 and December 31st 2013:

	Dec 31 2014	Dec 31 2013
Management Board	4	3
Administration	127	66
Operations	148	93
Total headcount	**279**	**162**

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46. Information on the total amount of remuneration and awards (in cash and in kind) paid or payable to members of the Management and Supervisory Boards of the Parent

In 2014 and 2013, remuneration of members of the Parent's Management Board was as follows:

	Dec 31 2014	Dec 31 2013
Zbigniew Prokopowicz	1,495	1,512
Jacek Głowacki	508	-
Anna Kwarcińska	801	861
Michał Kozłowski	801	861
Total	**3,605**	**3,234**

Certain Management Board members are party to a mutual agreement on termination of employment within the next 6-12 months. If a Management Board member being a party to such agreement resigns, the Company is required to pay severance pay equal to 50% of remuneration received by such Management Board member over the last 12 months.
In 2014 and 2013, remuneration of members of the Parent's Supervisory Board was as follows:

	Dec 31 2014	Dec 31 2013
Dariusz Mioduski	-	46
Jacek Głowacki	24	36
Arkadiusz Jastrzębski	36	36
Tomasz Mikołajczak	54	37
Mariusz Nowak	36	36
Marek Gabryjelski	36	36
Łukasz Rędziniak	36	2
Total	**222**	**229**

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47. Transactions with members of the Group's Management and Supervisory Boards, their spouses, siblings, ascendants, descendants, or other closely related persons

In the year ended December 31st 2014, no transactions were entered into with members of the Management and Supervisory Boards, their spouses, siblings, ascendants, descendants, or other closely related parties.

48. Fees paid or payable to the auditor or auditing firm

The table below presents fees paid or payable to qualified auditors of financial statements for the year ended December 31st 2014 and December 31st 2013, by type of service:

Type of service	Dec 31 2014	Dec 31 2013
Review and audit of financial statements	865	255
Other services	70	91

49. Carbon dioxide (CO2) emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the emissions trading system. The emissions trading mechanism was introduced on January 1st 2005 upon the entry into force of Directive 2003/87/EC of the European Parliament and of the Council, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of December 22nd 2004.The aforementioned Act was superseded by the Act on Trading System for Greenhouse Gas Emission Allowances, dated April 28th 2011. Since 2012, work has been under way on a legislative act regulating trade in emission allowances in the current trading period (2013–2020). The draft bill was adopted by the Polish Council of Ministers on December 30th 2014.

The facilities owned by the Polenergia Group: Zakrzów CHP plant (number in the National Allocation Plan of Carbon Dioxide (CO2) Emission Allowances: KPRU No.: PL 0075 05), Mercury power plant (KPRU No.: PL 0879 05), and Nowa Sarzyna CHP plant (KPRU No. PL 0472 05) are combustion installations with a rated thermal input in excess of 20 MW, participating in the EU emissions trading scheme.

In the current trading period 2013–2020, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, amended by Directive 2009/29/EC of the European Parliament and of the Council of April 23rd 2009:

The Zakrzów CHP plant was provisionally allocated 8,439 free allowances annually for 2013–2020 pursuant to Art. 10a. It should be noted that in 2013–2015 the number of allocated allowances was reduced by half given the lower heat volume generated by the plant in 2012–2014. Given the reduced emissions of CO2, the number of allowances allocated to the plant will be sufficient for the settlement of emission allowances.

Pursuant to Art. 10c – under derogation – the Mercury power plant, as an electricity producer and an installation included in the National Investment Plan list, received emission allowance allocations, which, in line with the EC Decision, will be reduced to 0 in 2020. The Mercury power plant was not allocated emission allowances for 2013–2015, as the plant upgrades specified in the application form were not completed.

The Nowa Sarzyna CHP plant was allocated free emission allowances under Art. 10a for 2013–2020 for CO2 emission volumes of 34,256– 22,495 tonnes.

The Nowa Sarzyna CHP plant was also allocated CO_2 emission allowances under Art. 10c. However, as no investments by the CHP were included in the National Investment Plan, the allowances were not transferred to the operator's account.

Preliminary CO_2 emission reports for the Mercury power plant and Zakrzów CHP plant, which have not yet been verified by auditors, show that the installations' emissions in 2014 were as follows:

- Zakrzów CHP plant – 2,724 tonnes;
- Mercury Power Plant – 30,176 tonnes.

In 2014, the Nowa Sarzyna CHP plant emitted 334,582 tonnes of CO_2, as confirmed by the verified annual emission report.

Since January 1st 2013, all the installations have operated under new CO_2 emission monitoring plans, approved by the competent authorities, which are compliant with the requirements of: Commission Regulation (EU) No. 601/2012 of June 21s 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Commission Regulation (EU) No 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

50. Licences

On October 4th 2001, Polenergia Obrót S.A. received a decision of the President of URE (the Energy Regulatory Office) on grant of a licence for trade in electricity from October 10th 2001 to October 10th 2021. The licence holder is authorised to conduct, for profit and on its own behalf, in an organised and continuous manner, commercial business activity consisting in sale of electricity to customers in Poland.

On July 20th 2005, Interpep EC Zakrzów Sp. z o.o., Spółka komandytowa received a decision of the President of URE on grant of a licence for heat generation from July 25th 2005 to July 25th 2015. The activity permitted under the licence consists in heat generation at the Wrocław-based Zakrzów CHP plant, with thermal input of 23.2 MWt. The fuel used by the plant is high-methane natural gas. The company filed a request with the President of URE for extension of the licence until July 25th 2030. On November 6th 2014, the Group received a decision of the President of URE on grant of a licence for heat generation by the Zakrzów CHP plant from July 26th 2015 to July 25th 2030.

On January 8th 2007, Dipol Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from January 10th 2007 to January 10th 2022. The activity permitted under the licence consists in electricity production at the Gnieżdżewo wind farm, a 22,000 MW renewable energy source. .

On December 22nd 2008, Polenergia Dystrybucja Sp. z o.o. received a decision of the President of URE on grant of a licence for trade in electricity from December 29th 2008 to December 31st 2025.

On February 27th 2009, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of URE on grant of a licence for trade in gaseous fuels from March 1st 2009 to December 31st 2025. The licence holder is authorised to conduct business consisting in sale of natural gas to customers in the town and municipality of Tomaszów Mazowiecki.

On February 27th 2009, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of URE on grant of a licence for distribution of gaseous fuels from March 1st 2009 to December 31st 2025. The activity permitted under the licence consists in distribution of gaseous fuels via medium and high pressure networks to customers in the town and municipality of Tomaszów Mazowiecki .

On July 20th 2009, Polenergia Dystrybucja Sp. z o.o received a decision of the President of URE on grant of a licence for distribution of electricity from July 20th 2009 to December 31st 2025.

On February 1st 2012, Amon Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from February 1st 2012 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Łukaszów wind farm, a 34,000 MW renewable energy source.

On February 1st 2012, Talia Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from February 1st 2012 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Modlikowice wind farm, a 24,000 MW renewable energy source.

On February 13th 2014, Polenergia Obrót S.A. received a decision of the President of URE on grant of a licence for trade in gaseous fuels from February 17th 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in sale in gaseous fuels to customers in Poland.

On March 13th 2014, PPG Polska Sp. z o.o. received a decision of the President of URE on grant of a licence for trade in gaseous fuels from March 17th 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in sale of gaseous fuels to customers in Poland.

On May 27th 2014, Polenergia Obrót S.A. received a decision of the President of URE on grant of a licence for trade in natural gas with foreign partners from June 1st 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in trade in natural gas with foreign partners.

On October 21st 2014, Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from October 21st 2014 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Rajgród wind farm, a 25,300 MW renewable energy source.

On December 12th 2014, Grupa PEP - Farma Wiatrowa 1 Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from December 12th 2014 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Gawłowice wind farm, a 41,400 MW renewable energy source.

51. Events after the end of the reporting period

On January 7th 2015, Grupa PEP - Farma Wiatrowa 4 Sp. z o.o. ("GPFW4"), a subsidiary, and Siemens Sp. z o.o. ("Siemens") signed an annex ("Annex") to the agreement for the delivery and installation of wind turbines of July 24th 2014 ("Agreement").

Under the Annex, Siemens will deliver, install, start up and commission three additional wind turbines, each with a capacity of 2.3 MW (6.9 MW in total).

The total VAT-exclusive value of the Annex is estimated at EUR 8,210,000.00 (PLN 35,397,415.00).

Delivery and installation of the additional turbines is scheduled for the period from mid-July to the end of October 2015.

Upon completion of the work provided for in the Annex, the installed capacity of the Skurpie wind farm will increase from 36.8 MW to 43.7 MW.

On February 9th 2015, Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o., a subsidiary, and Vestas Poland Sp. z o.o. ("Vestas") signed an agreement for the delivery and installation of wind turbines, and an agreement on maintenance and wind turbine availability for the Mycielin wind farm. The first agreement provides for the delivery, installation, and start-up of 24 wind turbines, each with a capacity of 2 MW (48 MW in total), while the other ensures maintenance of the wind turbines for five years, including performance of scheduled and unscheduled inspections, delivery of maintenance supplies and spare parts, remote supervision, and other related activities.

The total value of the agreements is estimated at EUR 56,767,580.00 (PLN 237,061,414.08).

Delivery and installation of the wind turbines as well as the start-up of the Mycielin wind farm are scheduled for the period from August to December 2015.

In the event of delayed delivery, Vestas is liable to contractual penalties in the total amount of up to EUR 10,417,516.00 (PLN 43,503,546.82). If the delivered wind turbines do not meet the requirements concerning the agreed capacity curve or noise level, Vestas will pay a contractual penalty of up to EUR 10,417,516.00 (PLN 43,503,546.82) Under the maintenance agreement, Vestas also guarantees an appropriate level of turbine availability. If it is not met, Vestas will pay compensation to Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o. in the total amount of up to EUR 4,680,000.00 (PLN 19,543,680.00).

No additional compensation may be sought by Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o.

Moreover, on February 9th 2015, Polenergia S.A. provided a surety to Vestas for Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o.'s obligations under the above agreement.

On February 11th 2015, Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o., a subsidiary, and a consortium of Erbud S.A. and Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. signed an agreement ("Agreement"), under which the consortium will construct the Mycielin wind farm with a total capacity of 48 MW for Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o..

The Agreement is valued at PLN 72,548,990.00, and its performance deadline was set at March 3rd 2016. The total amount of contractual penalties under the Agreement payable by the consortium may not exceed 30% of the Agreement value.

On February 18th 2015, the Company's Supervisory Board appointed Ms. Anna Kwarcińska as Vice-President of the Management Board for another term of office. On the same day, the Supervisory Board appointed Mr. Michał Kozłowski as Vice-President of the Management Board for another term of office

On March 4th 2015, Grupa PEP – Farma Wiatrowa 1 Sp. z o.o., a subsidiary, signed an annex to its agreement with Siemens Sp. z o.o. The total VAT-exclusive value of agreements signed between Siemens and the Company's subsidiaries over the last 12 months increased to EUR 56,907,000.00 (PLN 237,433,076.10). The Company provided a surety for the subsidiary's obligations under the annex.